The Uncertainty of Decline: Power Shifts, Interstate Signaling and International Conflict

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Abstract

Can rising states credibly signal their future intentions during a power shift? Existing theories suggest that rising states have strong incentives to misrepresent hostile intentions, in order to avoid incurring opposition while they are still relatively weak. As a result, the conventional wisdom holds that a rising state's cooperative behavior is not a credible signal of its intentions in the future, when it will have become more powerful. In contrast, this study presents two formal models that identify conditions under which rising states' cooperative signals are credible despite their incentives to misrepresent. In addition, the models identify two "screening mechanisms" that declining states can employ to elicit credible signals of a rising state's future intentions. First, a strategy of limited preventive opposition in response to cooperative signals reduces the rising state's incentive to misrepresent, inducing hostile riser's to reveal their true intentions through non-cooperative behavior, while making the rising state's cooperative signals more credible. Second, a strategy of targeted retrenchment elicits credible signals by removing constraints over the rising state's immediate behavior in a particular region, and making hostile risers more likely to attempt revision of the regional international order. The information provided by these screening mechanisms then benefits the declining state by allowing it to fully contain the rise of hostile states, while avoiding unnecessary conflict with benign ones. The theoretical hypotheses are illustrated in four recent cases of great power decline: US retrenchment from Eastern Europe and the origins of the Cold War; British retrenchment from the Western Hemisphere and Anglo-American rapprochement at the turn of the 20th century; British prevention in response to a rising Germany in the 1890s; and a negative case, the lack of US prevention in response to a rising Soviet Union during WWII. These cases largely support the theoretical hypotheses, but also indicate that leaders have been largely unaware of the informational benefits of prevention and retrenchment. Thus, the findings of the study yield valuable prescriptions for the contemporary world, particularly US foreign policy toward a rising China.

Acknowledgements

I entered graduate school as an aspiring area specialist focusing on the Asia-Pacific region and the politics and foreign relations of China. I was particularly interested in the consequences of China's rapid economic growth and increasing influence in East Asia for US-China relations, and the foreign policies of each country toward the other. Yet over the course of my graduate studies, I came to view the rich, detailed analyses of area specialists as highly informative and valuable, but lacking sound theoretical underpinnings. Specifically, China specialists had little deductive basis for inferring China's preferences for the international order, or how China's behavior might change as it gained power in the international system.

Early in graduate school, the members of my committee encouraged and inspired me to explore the theoretical logic of interstate signaling as a means of alleviating my dissatisfaction with the state of the literature on China's rise. Furthermore, they pushed me to think beyond even existing theories of interstate signaling, and explore the previously-neglected consequences of power shifts on the credibility of a rising state's signals. John Owen, despite the incredible demands on his time, provided prompt and trenchant criticism throughout, cutting through rough, impenetrable early drafts to clarify the direction of the project and helping to refine it in the later stages. I am eternally grateful for John's wisdom and his calming influence. Todd Sechser's lucid thinking about the project prompted me to reconceive the theoretical models and empirical research design numerous times, and his professional support and mentorship has been invaluable. Charlie Holt generously agreed to work with me to fund and develop experimental tests of the hypotheses in this dissertation, and introduced me to exciting new methodological avenues. I owe the greatest debt to my advisor, Dale Copeland, whose influence permeates this project, but who was always most excited by arguments and methods that departed from his own. From the very beginning Dale treated me as a colleague, not a subordinate, and has been extraordinarily generous with his time and his ideas, evidenced by our frequently open-ended discussions encompassing his work as well as mine. I could not have asked for a better chair for my committee.

I owe heartfelt thanks to other members of the faculty at UVA. Brantly Womack was incredibly supportive as an advisor and a mentor in my early days of grad

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Chapter 1

Introduction

This dissertation examines how declining states can form accurate beliefs about the future intentions of rising states. This topic is of particular importance in the contemporary world as the United States struggles to formulate foreign policies toward numerous rising states in the developing world, foremost among them China, whose preferences for the international order remain unclear. How China will (or will not) reshape the international order as it become increasingly powerful, and able to get what it wants, is the crux of the debate among academics and policymakers alike over whether the US should adopt a strategy of "engagement" or "containment" toward China.[1] In addition, understanding the mechanisms by which declining states form beliefs about other's intentions helps us explain the incentives driving the behavior of both rising and declining states in numerous episodes of power shifts throughout history.

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[1] In the academic literature, proponents of engagement include, e.g., Johnston, 2003; Swaine, 2011; Gill, 2007; Shambaugh, 2004/2005; Christensen, 2006; Kang, 2007. For proponents of containment or "hedging" see e.g., Friedberg, 2011; Bergsten, 2008; Sutter, 2006; Khoo and Smith, 2005; Mearsheimer, 2010; Layne, 2008.

It is now axiomatic in international relations theory that states' foreign policy strategies depend on their beliefs about the intentions of others.[2] A state is likely to adopt cooperative strategies toward others whose intentions it thinks are benign - i.e. states whose goals are compatible with its own - but competitive strategies toward those whose intentions it believes to be hostile. States' beliefs about each others intentions are therefore crucial for determining when and how conflict occurs in the international system. In particular, if states are uncertain, or form inaccurate beliefs about each other's intentions, it is possible for conflict to occur between states with mutually benign intentions due to misplaced fear that the other is hostile. Conversely, if one state mistakenly believes another to be benign, it may fail to take necessary steps to defend its interests and thus leave itself vulnerable to exploitation, or even conquest, by a truly hostile actor. This is the well-known concept of the security dilemma: given uncertainty about others' intentions, states face an unpalatable choice of attempting cooperation, which reduces their security from attack by hostile states, or engaging in competition, which reduces security by risking "tragic" conflict with benign states.[3]

Given the centrality of uncertainty in driving international conflict, scholars of international security have devoted a great deal of attention to how states form beliefs about each other's intentions. Whereas liberal and constructivist scholars

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[2]This is true even of offensive realist scholars, who are often characterized as claiming that state behavior is determined only by the material structure of the international system, and is independent of states' preferences or beliefs. Yet a careful reading of offensive realist literature indicates that intentions and beliefs matter deeply in this theory, but they are simply assumed to hold constant values. States are assumed to be seeking security, and all else equal, power as a means to security. States are also assumed to be intractably uncertain about the intentions of others, and therefore must make worst-case assuptions about other's future behavior, and respond accordingly. Ironically, according to the theory, because all states in the system adopt this worst-case outlook, the assumption becomes true in reality: all states - even benign "security-seekers" - are induced by uncertainty and the anarchic nature of the international system to pursue power as a means to security, and so actually do have hostile intentions toward others. See Mearsheimer, 2001, Layne, 1993; Zakaria, 1998; and Brooks, 1997.

[3]On the security dilemma, see, e.g., Hertz, 1950; Jervis, 1978; Schweller, 1994; Glaser, 1997; and Snyder, 1997.

have examined how states can infer each others intentions from domestic-level attributes and the nature of their interactions, realist and rationalist scholars have developed mechanisms by which states can credibly signal their intentions to each other through their international-level behavior.[4] Specifically, states with benign intentions can send "costly" signals, actions that carry greater costs for a hostile state than for a benign one, and therefore be more likely to be taken by the benign type (Fearon, 1997). For example, benign states can refrain from building offensive weapons (Jervis, 1978; Glaser, 1994), constrain themselves in institutions (e.g., Ikenberry, 2001; Weinberger, 2003), or forgo easy opportunities to exploit others (Kydd, 1997), each of which would be more costly for a hostile state that would truly prefer to take non-cooperative actions. Many international relations theorists have concluded that these credible signaling mechanisms allow states to reliably form accurate beliefs about each other's intentions, thereby reducing uncertainty and mitigating the security dilemma. However, existing rationalist signaling theories have each assumed a static international system - in other words, they have assumed that the international distribution of power will remain constant over time.

In contrast, this study asks how rising states can credibly signal their intentions in the context of a *projected power shift* (PPS), in which the international distribution of power is expected to change over time. Answering this question is not at all straightforward. During power shifts, declining states are particularly concerned with a rising state's *future* intentions, i.e., how the rising state will reshape the international order once the power shift is complete, and it faces fewer constraints

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[4]"Liberal" is a broad category that remains poorly defined, but includes extensive literatures on the democratic peace and, more recently, the capitalist peace. On democratic peace, see, *inter alia*, Doyle, 1986; Russett, 1993; Fearon, 1994; Owen, 1994; Russet and Oneal, 2001. On capitalist peace, see Mousseau, 2010; Gartzke, 2007; Weede, 2005. Prominent contructivist arguments concerning belief formation and the diffusion of norms include Wendt, 1999; Finnemore and Sikkink, 1998; Johnston, 2008; Risse-Kappen, 1997.

over its behavior. Yet precisely because rising states will face fewer constraints as they grow more powerful, it is problematic to infer their future intentions from their behavioral signals in the present. Rising states have a strong *incentive to misrepresent* hostile intentions by waiting until the power shift is complete before they attempt revision of the international order, rather than attempting immediate revision while they are still relatively weak and constraints over their actions are relatively high. Moreover, in order to continue to rise and gain the power to achieve their preferred international order in the future, hostile types must avoid incurring a preventive response from the declining state that would forestall their rise. Thus, the incentive for rising states to misrepresent during power shifts reduces the credibility of their cooperative behaviors as signals of their benign intentions, because cooperative signals are likely to be sent by both benign and hostile types alike.

These barriers to interstate signaling during power shifts have led many scholars of international security to conclude that declining states should never update their beliefs in response to a rising state's cooperative signals, and therefore remain highly uncertain about risers' future intentions (Copeland, 2000; Mearsheimer, 2001; Layne, 1993; Montgomery, 2006; Edelstein, 2002). I refer to these scholars as *signaling pessimists*. Furthermore, pessimists argue that as their power wanes, decliners are increasingly vulnerable to future revision by a rising state if its intentions are actually hostile. This combination of uncertainty and future vulnerability gives the declining state a strong *preventive motivation*, that is, an incentive to take preventive action even against risers that have exhibited cooperative behavior (Levy, 1987).

On the other hand, another group of scholars - whom I refer to as *signal-*

ing optimists - argue that the incentive for rising states to misrepresent does not present a significant barrier to the credibility of their cooperative signals. Because hostile risers are dissatisfied with the status quo international order, they will be unwilling to forgo the benefits of immediate revision in order to misrepresent their intentions. Thus, optimists claim that even under a large PPS, declining states can unproblematically extrapolate a rising state's cooperative signals in the present to form accurate beliefs about the riser's intentions in the future. Optimists conclude that declining states should be well-informed of rising states' future intentions and therefore never take preventive action against benign risers, such that the rising and declining states' preferences for the international order must truly be incompatible for conflict to occur (Kydd, 2005; Schweller, 1994; Glaser, 2010).

I argue that large projected power shifts do indeed reduce the credibility of a rising state's cooperative signals, as pessimists claim. However, I find that optimists are correct that a rising state's incentive to misrepresent under a large PPS is not completely insurmountable: there are strategies available to declining states to increase the credibility of a rising state's signals, even under large power shifts. This study identifies two "screening mechanisms" that allow declining states to distinguish benign risers from hostile ones. The first is a "hedging" strategy, in which the decliner adopts a limited degree of prevention opposition in response to the rising state's cooperative signals. The second is a strategy of retrenchment, in which the declining state removes its ability to constrain the riser's behavior in a particular region or issue area.

Chapter 1 presents a formal model called the power shift game that shows how preventive action by a declining state can elicit credible signals of a riser's future intentions. In brief, prevention increases the credibility of a riser's cooperative

signals by reducing its incentive to misrepresent. The model shows that pessimists are correct that hostile rising states have a strong incentive to misrepresent their intentions as long as cooperative behavior will allow them to avoid opposition while they are still weak. However, if the declining state preventively opposes the rising state *even in response to cooperative signals*, this reduces the hostile riser's incentive to misrepresent: cooperation still requires it to forgo the benefits of immediate revision, but no longer allows it to fully avoid the costs of opposition from the decliner. Thus, the greater the decliner's degree of preventive opposition, the more likely hostile risers are to reveal their true preferences by attempting immediate revision. In turn, because hostile types are less likely to send cooperative signals, continued cooperation in the face of preventive measures constitutes a more credible signal that the riser is truly benign.

Furthermore, the power shift game shows that the credible signals elicited by the declining state's preventive opposition benefit the decliner in two ways. First, by inducing incompatible rising states to reveal their true type early in the power shift, the decliner can subsequently impose full containment upon those states to suppress their rise before they have gained too much power. Second, by increasing the credibility of cooperative signals, limited prevention in the present mitigates the severity of the security dilemma throughout the remainder of the power shift. In the absence of information from the riser's cooperative signals, the combination of vulnerability and uncertainty would compel the declining state to impose a much higher degree of opposition. By using a strategy of limited prevention early in the power shift, the decliner becomes far more confident that cooperative risers are truly compatible, which allows it to maintain a moderate policy toward the riser strategy thereafter. Thus, the power shift game shows that when the PPS is large enough, the information provided by credible signals is valuable enough for the

decliner to adopt a hedging strategy of limited prevention, despite the immediate costs that such a strategy entails.

Chapter 2 presents a second formal model, called the retrenchment game, which demonstrates how the declining state can elicit credible signals by reducing its own ability to constrain the riser's behavior in the present. Like prevention, retrenchment works as a screening mechanism by reducing the incentive for hostile risers to misrepresent their intentions. In the absence of constraints from the decliner, a rising state is free to revise the regional order at relatively low cost, if it so desires. Thus, hostile risers will be tempted to reveal their true intentions through revisionist behavior in response to retrenchment. On the other hand, because hostile types would be likely to attempt revision, if a rising state refrains from revision despite the opportunity afforded by the decliner's retrenchment, it constitutes a credible signal that the riser's intentions are actually benign.

Thus, like prevention, retrenchment yields valuable information to the declining state about the rising state's intentions which allows it to immediately oppose hostile risers, while avoiding costly conflict with benign ones. However, retrenchment also involves a tradeoff: in order to elicit credible signals of the riser's intentions, the decliner must be willing to allow revision of the international order in a particular region if the rising state is actually hostile. Thus, the retrenchment game shows that retrenchment is more likely in regions that are highly valuable to the rising state, but of low value to the declining state.

Chapter 2 illustrates the logic of retrenchment as a screening mechanism in the case of Anglo-American rapprochement around the turn of the 20th century. As Britain declined in late 19th century, its leaders initially expected that as a rising United States became more powerful, it would revise the liberal international eco-

nomic order that Britain had established in Latin America and East Asia. British leaders maintained these beliefs despite the absence of recent attempts at revision by the US, attributing American cooperation to the constraints imposed by British naval and commercial dominance. As Britain's decline began to strain its ability to maintain its far flung commitments in the 1890s, it began to withdraw its military and economic influence from the Western Hemisphere and the Far East. Yet, rather than attempting to revise the international order in those regions in the absence of British power, as British leaders had expected, the US maintained Britain's "Open Door" policies of non-discriminatory access to markets. In response, British leaders positively updated their beliefs about American intentions, leading to increasingly cooperative Anglo-American relations and the beginning of the "special relationship".

The theoretical findings of the power shift game and retrenchment game are drawn out more fully and tested against the competing optimist and pessimist signaling hypotheses in three additional chapter-length case studies. Chapters 3 and 4 examine the development and subsequent deterioration of friendly US-Soviet relations during World War II, while Chapter 5 analyzes the origins of the Anglo-German rivalry prior to World War I.

Chapter 3 draws on the power shift game to evaluate the origins of US-Soviet cooperation in the middle years of WWII. As the Soviet Union's fortunes in the war improved in 1943, and its projected power and influence in the postwar world increased, American leaders positively updated their beliefs in response to cooperative Soviet behavior. Stalin promised to establish independent, democratic governments in Eastern Europe, integrate the Soviet economy with the international market, enter the war in the Pacific against Japan, and integrate the Soviet Union

into Roosevelt's planned postwar institutional structure. However, seen through the lens of the power shift game, these signals should not have been seen as credible: rather than adopting a strategy of limited prevention toward the Soviets as their projected postwar power increased, Roosevelt and his Administration successfully reassured Stalin that no opposition was forthcoming as long as the Soviet Union continued to cooperate. Thus, Stalin's incentive to misrepresent remained high, and US leaders should not have updated in response to Soviet cooperation. As a result, American leaders formed erroneously optimistic beliefs about Soviet intentions in 1943 and 1944, and failed to contain rising Soviet power, thereby facilitating the expansion of Soviet influence in the postwar era. Thus, although the power shift game fails to accurately describe US actions and beliefs in this case, it has tremendous prescriptive value by identifying the mistakes of US policymakers.

Chapter 4 shows how US retrenchment from Eastern Europe induced non-cooperative Soviet signals that allowed American policymakers to form accurate beliefs about Soviet intentions by the end of 1945. Throughout the war, Roosevelt granted Stalin a free hand in Eastern Europe, consistently declining to establish American military or economic power there and renouncing any political interest in the region. Moreover, Stalin thought that Roosevelt would view the establishment of communist-dominated governments in those countries as necessary for Soviet security, and not indicative of more broadly revisionist Soviet goals. As a result, Stalin anticipated that he could revise the regional order in Eastern Europe at low cost, without incurring opposition from the US. However, in response to Soviet intervention in the political and economic systems of Eastern Europe in violation of American preferences for the international order, US leaders began to negatively update their beliefs about Soviet intentions by the beginning of 1945 - before FDR's death - and began to escalate their degree of containment of the Soviet Union.

Thus, when evaluated through the logic of the retrenchment game, the historical evidence refutes the conventional wisdom that the spiraling postwar tension that culminated in the Cold War was a "tragic" conflict between benign states caused by misperceptions. Rather, the withdrawal of American constraints over Soviet behavior in Eastern Europe allowed US policymakers to form accurate beliefs that Soviet intentions were hostile.

Finally, Chapter 5 shows that the power shift game explains the deterioration of Anglo-German relations at the turn of the 20th century. British hedging against rising German power in the 1890s induced German leaders to abandon their attempts to misrepresent, and instead reveal their hostile intentions toward Britain by attempting immediate revision of the international order. Although British leaders initially held positive beliefs about German intentions at the start of the 1890s, they insisted on maintaining a "free hand" in Europe, refusing to align with Germany in the Triple Alliance and seeking to improve relations with the Franco-Russian coalition balancing against Germany. Britain also blocked Germany's access to colonies, and began to implement competitive economic policies to counter increasing German economic competition. In response to this limited British containment, in 1897 Kaiser Wilhelm II explicitly reoriented his foreign policy to immediately achieve his goals of a mercantilist overseas empire, political domination of Continental Europe, and construction of a large navy that could coerce Britain into acquiescing to German demands. These non-cooperative signals prompted British leaders to negatively update their beliefs by 1903, and escalate to full containment of Germany by 1907, concentrating British naval power against Germany in the North Sea, and aligning with Japan, France and Russia in an anti-German balancing coalition.

Although these cases do lend support to the hypotheses of the power shift game and the retrenchment game, they are intended primarily as plausibility probes, rather than definitive tests of those theories against potential alternatives. In other words, the cases are intended to illustrate how the theoretical mechanisms operate in the real world and highlight the implications of the deductive logic for understanding history, as well as contemporary foreign policy questions. The cases have therefore been selected to capture the full range of predicted outcomes regarding the declining state's beliefs: in response to both prevention and retrenchment declining states can either positively update their beliefs in response to credible cooperative signals, or negatively update their belief in response to non-cooperative signals elicited by the screening mechanisms.[5] US-Soviet cooperation in WWII was selected to illustrate the logic of the power shift game by negative example: had the US adopted a limited preventive strategy in 1943, cooperative Soviet signals *would* have been credible, but in the absence of US prevention, they *should not* have been. Conversely, the rise of Anglo-German antagonism illustrates negative updating as a result of prevention: Britain's hedging strategy in 1890 induced Germany to attempt immediate revision, thereby revealing Germany's hostile intentions. Anglo-American rapprochement captures the logic of the retrenchment game for eliciting credible cooperative signals: continued US cooperation allowed the British to positively update their beliefs following retrenchment. Finally, the origins of the Cold War demonstrate how US retrenchment induced Stalin to attempt immediate

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[5]The cases have been selected on the dependent variable (DV): in each instance the declining state updated its beliefs about the rising state's intentions. Selection on the DV is justified when the mode of inference is within-case observations to adjudicate between competing causal logics and to illustrate, rather than generalize, theoretical mechanisms. On case selection criteria, see Bennett and George, 2005; Gerring, 2007; and Evan Lieberman, 2001. In addition, the cases of US and British decline were selected as the cases of great power decline most similar to that of the contemporary United States - including the declining states' general goals for the international order, their domestic cultures, political systems and socioeconomic structures, and the modern era in which they occurred - so that the findings from the cases are most likely to apply to contemporary policy.

revision in Eastern Europe, allowing American leaders to negatively update their beliefs about Soviet intentions.

This comparative case study research design is most appropriate for testing the propositions of the power shift game and the retrenchment game, for several reasons. First, power shifts are relatively rare events that provide few data points for quantitative analysis. Second, the main variables of interest can only be measured qualitatively. The main causal variable - the size of the projected power shift - is measured by the perceptions of the actors rather than by objective metrics, because it is their subjective perceptions of reality that drive their decision calculi. The main outcome of interest - the change in leaders' beliefs about the intentions of other states - is also inherently subjective, as is their perception of whether another state's actions are cooperative or non-cooperative. Likewise, determining whether a rising state's underlying goals for the international order are compatible or incompatible with the declining state's requires documentation of leaders' private statements of their motivations. Third, a qualitative research design is necessary to demonstrate the operation of the complex and counterintuitive strategic interactions captured by the models. Consider the causal sequence of the power shift game. To test its hypotheses against the optimist and pessimist hypotheses requires determining whether the declining state's initial motivation for accommodating or opposing the rising state, the effect of the decliner's action on the rising state's incentive to cooperate or attempt revision, whether the riser's signals caused a change in the decliner's beliefs, and whether those beliefs are driving the subsequent policies by the declining state. This can only be achieved through "process tracing" to reconstruct the sequence of events and document the actors' attributions of their actions and beliefs to particular stimuli.[6]

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[6]On process tracing and its utility for testing theories using within-case observations, see Mahoney and Rueschemeyer, 2003; Bennett and Elman, 2006; Brady, Collier and Seawright,

Finally, it is important to note the abstract empirical criteria that will be used to test the deductive logic of the model. First, in each case, the existence of a projected power shift must be established. This is done through the internal estimates of power trends by the foreign policy executives in both the rising and declining states, as well as informal, subjective estimates of key decision makers.

Second, the cases must establish the decliner's beliefs about the rising state's intentions, as well as the credibility of the riser's cooperative signals, before the declining state has implemented a strategy of prevention or retrenchment. Prior to the onset of these screening mechanisms the riser's cooperative signals are not expected to be credible, and should be dismissed by the declining state's policymakers as a likely misrepresentation.

Third, each case must demonstrate that prevention/retrenchment occurred before the declining state updated its beliefs. Observers in both the declining and the rising state should recognize that the decliner has implemented either of these strategies, and be reflected in their statements. Additionally, the cases should establish the decliner's motivation for prevention or retrenchment, in order to assess the weight that policymakers placed on the informational benefits highlighted in the models versus other potential benefits of these strategies.

Fourth, the cases must establish how and why the rising state's behavior changed in response to the decliner's prevention/retrenchment. It is insufficient to document only the change or continuation of the riser's behavior without also showing the riser's motivation for cooperation or revision. It is also necessary to define what the leaders in the declining state consider cooperative behavior. This can be extrapolated from their own expressed goals for the international order,

2010. On the necessity of qualitative historical analysis to test theories with complex causality, see Hall, 2003.

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but should also be reflected in their responses to particular behaviors by the rising state as desirable or not. The cases must also identify cooperative signals that are not simply "cheap talk," i.e., the behavior that constitutes the signal must be more costly for a hostile riser to send than for a benign one. This could include reputational or audience costs, the costs of providing public goods to support the status quo order, or the opportunity costs of forgoing revision.

Fifth, each case must demonstrate that, following prevention/retrenchment, the decliner's beliefs changed in response to the riser's behavior, and that these updated beliefs affected the decliner's subsequent foreign policy toward the riser. This requires documentation of leaders' beliefs about the riser's intentions, but also requires attribution of those beliefs to particular behaviors and the context in which they were taken. Other than direct attribution, the most compelling evidence that a declining state's policymakers updated their beliefs is if they reveal their expectations of the riser's behavior beforehand, then express surprise in response. A close temporal correlation between the rising state's behavior and a change of beliefs within the declining state is also suggestive that especially if corroborated in several other instances.

One final note methodological note in order. It is important to emphasize that even if actors' behaviors in the cases deviate from the predictions of the models, it does not negate the theoretical findings, and indeed may underscore their value. Much of the value of formal theory is prescriptive, rather than descriptive: by identifying counterintuitive logics and complex incentives that result from strategic interactions, models can reveal rational strategies of which policymakers are not initially aware.[7] Statesmen may not recognize the informational benefits of

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[7]On the prescriptive value of formal models and on deriving and testing their empirical implications see Morton, 1999; Cameron and Morton, 2002; Granato and Scioli, 2004; Elster, 1994; Geddes, 2003, pp. 175-211.

prevention and retrenchment *ex ante* - indeed, insofar as the results of the models are novel and surprising, these informational benefits have heretofore not been identified at all. As the existing literatures on retrenchment and prevention have widely indicated, these strategies may be adopted for other reasons: prevention in order to reduce future vulnerability in the face of uncertainty; retrenchment in order to reduce costly commitments and reallocate scarce resources. Yet even if a declining state does not intentionally employ prevention or retrenchment as a screening mechanism, it may still recognize *ex post* the increase in the credibility of a rising state's signals that these strategies engender.

This assertion is born out in the cases. British retrenchment from the Western Hemisphere was designed to conserve resources, not learn US intentions. Yet British leaders subsequently recognized the increase in the credibility of cooperative US behavior under low constraints, and adopted a much more beneficial policy of rapprochement toward the US. Likewise, US abdication of influence in Eastern Europe in WWII was due primarily to a domestic aversion to international intervention, yet the effect of this withdrawal on Soviet behavior carried obvious implications for American policymakers about future Soviet intentions, and prompted early containment of a hostile rising state. Most strikingly, although US leaders erroneously updated their beliefs in response to Stalin's cooperation in 1943, the power shift game explains *why* they were wrong to do so. Thus, by identifying the informational benefits that states can receive from prevention and retrenchment, the model and the cases can show that these incentives should be included in future policy decisions, even if they have been omitted from past ones.

Chapter 2

Prevention as a Screening

Mechanism

A central foreign policy question facing the United States today is how to respond to the growing relative capabilities and influence of several large, developing countries, particularly China. On the one hand, proponents of an engagement strategy argue that by increasing economic cooperation with China, integrating it into international institutions, and reassuring it of benign US intentions, the United States can both raise China's opportunity costs of revising the international order and socialize China to prefer to maintain the status quo.[1] On the other hand, proponents of a "containment" strategy argue that because China's intentions are unknown and potentially hostile to American interests, the United States must adopt preventive measures while it is still powerful - such as economic competition or a balancing alliance - in order to forestall China's rise and reduce its ability to

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[1] E.g., Johnston, 2003; Swaine, 2011; Gill, 2007; Shambaugh, 2004/2005; Christensen, 2006; Kang, 2007.

revise the international order in the future.[2]

Throughout history, states in relative decline have faced similar dilemmas of whether to accommodate or oppose the rise of others, as a declining Britain did vis-a-vis Germany and the United States at the turn of the 20th century, and the US did vis-a-vis a rising Soviet Union during the Second World War. Which of these broad foreign policy strategies the declining state chooses depends largely on its beliefs about the rising state's future intentions regarding the shape of the international order. If the rising state's intentions are benign, it will use its enhanced future capabilities to maintain the decliner's preferred order, the decliner's best response is to accommodate its rise by sustaining mutually-beneficial cooperation. However, if the riser's intentions are hostile, it will use its future capabilities to revise the international order in ways unfavorable to the decliner's preferences, thereby giving the declining state a strong incentive to forgo cooperation in favor of a preventive strategy to forestall the rising state's relative power gains. Thus, a declining state's ability to formulate an appropriate foreign policy toward any particular rising state depends on the accuracy of its beliefs about the riser's future intentions.

This chapter examines how, and under what conditions, declining states can accurately infer a rising state's future intentions from its behavior in the present - in other words, how and when can rising states credibly signal their future intentions? There is substantial disagreement about this question within existing international relations literature. *Signaling optimists* contend that states can always credibly signal benign intentions through cooperative behavior, thereby alleviating uncertainty and eliminating "tragic" conflicts between rising and declining states with

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[2]E.g., Friedberg, 2011; Bergsten, 2008; Sutter, 2006; Khoo and Smith, 2005; Mearsheimer, 2010; Layne, 2008.

compatible preferences.[3] However, *signaling pessimists* argue that these signaling mechanisms are less effective during power shifts, because hostile rising states have strong incentives to misrepresent their true preferences for the international order: even if they intend to revise in the future, risers are inclined to cooperate in the present, while they are still relatively weak, in order to avoid opposition from the declining state that could jeopardize their future power gains.[4] Pessimists conclude that because rising states' cooperative signals are non-credible, declining states remain highly uncertain about their future intentions, and are therefore often compelled to take preventive action even against risers that have exhibited cooperative behavior.

This chapter presents a formal model, called the power shift game, that contradicts both the optimist and pessimist logics. Contrary to optimists, the incentive for rising states to misrepresent means that their cooperative signals are never completely informative of their intentions, resulting in some degree of uncertainty for the declining state. In addition, as the size of the *projected power shift* (PPS) increases, the declining state becomes more vulnerable to future revision if the rising state is hostile. This combination of uncertainty and vulnerability gives the decliner a strong incentive to take preventive action against cooperative risers.

However, contrary to the pessimist logic, the power shift game shows that a declining state's preventive strategy serves as a "screening mechanism" that allows the decliner to distinguish benign rising states from hostile ones. Therefore, as the declining state's preventive motivation increases with the size of the PPS, the rising state's cooperative signals become more credible. The information from these credible signals benefits the declining state by allowing it to implement a

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[3]Glaser, 1994, 1997, 2010; Kydd, 1997a, 1997b, 2000, 2005; Schweller, 1994; Walt, 1987; Organski and Kugler, 1980; Tammen et al, 2000; Lemke, 2003.

[4]Copeland, 2000; Mearsheimer, 1990; 2001; Layne, 1993; Levy, 1987.

more optimal foreign policy toward rising states over the course of the power shift: it can fully oppose hostile types while moderating its policy toward benign ones. Thus, by adopting a limited preventive strategy early in a power shift, the declining state can maintain a relatively high degree of cooperation with benign risers that increases over time, while also reducing its future vulnerability by forestalling the rise of hostile states.

How does prevention work as a screening mechanism? In brief, prevention increases the credibility of a riser's cooperative signals by reducing its incentive to misrepresent. If a hostile riser anticipates that it will incur some degree of opposition even if it cooperates, it has less of an incentive to continue to send cooperative signals. Instead, prevention makes hostile risers more likely to reveal their true preferences by attempting revision, in order to enjoy the benefits of their preferred international order immediately. In contrast, continued cooperation in the face of preventive measures constitutes a more credible signal that the riser is truly benign, since a hostile type is less likely to exhibit such behavior.

This chapter makes several contributions to the literatures on power shifts and interstate signaling. First, it identifies an important benefit of preventive strategies that has heretofore been overlooked. Prevention has previously been recognized only as a strategy that a declining state can use to reduce its vulnerability to future revision, given an intractable degree of uncertainty about a rising state's intentions. However, the power shift game shows that in addition to reducing the declining state's vulnerability, a limited preventive strategy also benefits the declining state by providing valuable information about a rising state's future intentions.

Second, the power shift game offers a mechanism by which a rising state might rationally initiate conflict. Existing power shift theories have claimed that rising

states never initiate conflict, because they have an incentive to wait until they have become more powerful in the future before attempting revision. Yet the power shift game shows that if a hostile riser anticipates some degree of preventive containment in response to its cooperative signals, it often has an incentive to preemptively attempt immediate revision, thereby precipitating a much higher degree of conflict.

Finally, this chapter helps to clarify the conditions under which declining states should treat rising states' cooperative signals as credible. The power shift game shows that such signals are largely non-credible in the absence of preventive action by the decliner. However, if the decliner adopts a "hedging" strategy of limited prevention, cooperative signals remain relatively credible even under a large PPS, and should prompt the decliner to update its beliefs and maintain a moderate policy toward the riser. This finding suggests that how American policymakers interpret the actions of a rising China depends largely on the content of US foreign policy toward China. Contemporary US policymakers thus face a tricky choice between maintaining a high degree of cooperation with a rising China, which will obscure its future intentions, or sacrificing some immediate gains from cooperation in order to elicit more credible signals.

The chapter is structured as follows: the first section defines key terms regarding power shifts and interstate signaling and delimits the scope of the argument. The second section presents the existing theoretical debate between signaling optimists and signaling pessimists, and summarizes the existing formal literature on power shifts and interstate signaling. The third section describes the structure of the power shift game and its equilibria. The fourth section discusses the mechanisms driving these results and the theoretical contributions of the model. The

chapter concludes with implications for US foreign policy and US-China relations.

2.1 Definitions and Scope Conditions

Before moving forward with the argument, it is helpful to define several key terms that will be used throughout the chapter. Power shifts are periods in which one or more rising states are projected to gain power relative to a declining state that currently holds a power advantage. Preponderant states in the international system construct and maintain an international order – the set of rules that governs states' interactions in the international system – that is designed to optimally achieve their domestically-derived goals (Bull, 1977; Ikenberry, 2001; Lake, 2010). A state's goals constitute its ultimate ends; that is, goals are primitive preferences that inhere to the actor and are exogenous to the incentives and constraints of its external environment.[5] Goals are defined in contrast to strategies, which are the actions a state takes given the environmental constraints it faces and its beliefs about the actions of others. A state's intentions are the strategies it would employ in the future under an alternative set of external incentives and constraints.[6]

States subjectively view each other's actions as cooperative or non-cooperative: cooperative actions are those that advance another state's goals, while non-cooperative actions impede the realization of the other's goals. From the declining state's perspective, how cooperative a rising state's actions will be in the future - when its expanded capabilities have removed external constraints over its behavior - de-

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[5]Goals are reducible to the aggregated preferences of groups and individuals at the domestic level, which are differentially empowered, socialized and aligned according to domestic institutions. See Moravcsik, 1997 and Gilpin, 1981.

[6]Environmental constraints and the actions of others alter payoffs, such that an actor may be induced to prefer outcomes that differ from its primitive goals. On the distinction between goals, preferences, and strategies, see Frieden, 1999, Powell, 1994; and Glaser, 2010, p. 37.

pends on how compatible its goals for the international order are with the declining state's. Two states are more compatible with each other to the extent that the realization of one's goals advances the other's. The greater the degree of incompatibility between the rising and declining states' goals, the more the riser will use its expanded future capabilities to revise the international order in ways that are unfavorable to the decliner.[7] Thus, whether a rising state's intentions are benign or hostile depends on the extent to which its goals for the international order are compatible or incompatible with the declining state's.[8]

It is also useful to clarify the scope of the argument, and distinguish the questions being asked herein from other topics within the literatures on interstate signaling and power shifts. First, this chapter addresses how states signal the compatibility of their preferences, rather than their capabilities or resolve. Much of the existing literature on interstate signaling concerns crisis bargaining, in which states in a zero-sum interaction over a disputed asset attempt to make credible threats in order to convince the other state to grant concessions rather than go to war. In these bargaining models, both states are completely informed that their

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[7]Of course, compatible rising states may revise the system in ways that are beneficial to the declining state – for example, by assuming responsibility for providing international public goods, thereby reducing the declining state's governance costs. See Lake, 1988 & 1996.

[8]Following Moravcsik (1997) and Gilpin (1981), goals are broadly defined to include the full spectrum of issue areas, including ideological, military/territorial, and economic dimensions. This contrasts with much of the literature on interstate signaling under the security dilemma, which defines states' behaviors in terms of their military actions and their goals in terms of territorial security. Instead of "benign" and "hostile" types, defined subjectively based on the compatibility of their goals with those of other states, Kydd (1997a; 2000a, 2005) and Glaser (1994; 1997; 2010) use a typology of "security-seeking" versus "expansionist" or "greedy" states. Security-seekers are defined as having no ends other than maintaining their territorial sovereignty, while greedy types are defined as having non-security ends. The problem with this typology is that two "greedy" states could have non-security ends that are quite complementary, making their intentions benign from each other's perspectives. Likewise, Kydd and Glaser define non-cooperative behavior as the use of military force or expansion of military power, and cooperation as refraining from military action. Yet military expansion could also be a cooperative action if it further the observer's goals, while military restraint or non-military actions - e.g., failure to balance a common enemy or imposition of unfavorable terms of trade - could easily be harmful to another state's goals.

preferences are perfectly incompatible - any portion of the asset gained by one side is an equal loss for the other. Their uncertainty concerns each other's costs of conflict and/or their respective probabilities of victory.[9] In contrast, my argument falls within the literature on reassurance, in which actors are fully informed of each other's capabilities and costs of conflict, but uncertain about the extent to which they are playing a zero-sum or a positive sum game - that is, declining states are not sure whether a riser's preferences over the asset at stake (the shape of the international order) are compatible or incompatible with their own.[10]

Second, the argument here concerns *projected* power shifts, not power transitions or shifts that have already transpired. Whereas a power transition occurs at the point when a rising state overtakes a declining one in terms of relative capabilities (i.e., it reaches parity), a PPS involves a rising state gaining power relative to a decliner in the future. The most widely-known theory of power shifts, power transition theory, asserts that rising states become more likely to attempt revision of the international system as they gain power, and that conflict becomes most likely around the point of parity (Gilpin, 1981; Organski and Kugler, 1980; Tammen et al, 2000; Kugler and Lemke, 1996; Lemke, 2003). Other theories of power shifts examine the effect of ongoing changes in states' relative capabilities over time on their incentives for conflict or revision (Powell, 1996, 1999; Morrow and Kim, 1992). This chapter does not test or address these claims, focusing instead on the incentives facing rising and declining states at the outset of a power shift, given expectations that the distribution of power will change in the future.

Third, I conceive of states' signals as international-level behaviors, not domes-

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[9]See, e.g., Wittman, 1979; Fearon, 1994, 1997; Wagner, 2000; Schultz, 2001. For a review of this massive literature, see Powell, 2002.

[10]On reassurance, see Kydd, 1997a, 2000a, 2000b, 2005; Hoffman, 2002; Osgood, 1962; Stein, 1991; Ward, 1989; Glaser, 1994.

tic policies or internal characteristics of a state. Many works have shown that domestic indicators are often valuable sources of information about states' intentions (e.g. Edelstein, 2000; Yarhi-Milo, 2009) - indeed, since states' inherent goals are domestically-derived, future intentions can only be directly measured at the domestic level. These indicators include regime type (Owen, 1994; Doyle, 1986; Risse-Kappen, 1995), socioeconomic structure (Gourevitch, 1986; Frieden, 1991; Lobell, 2003), culture and ideology (Owen, 2011; Haas, 2005; Lebow, 2008), and the personalities of individual leaders (Dueck, 2008; Saunders, 2011; Hall and Yarhi-Milo, 2012). However, domestic-level signals are rarely fully-informative of states' inherent goals. Not only are domestic politics often opaque to foreign observers, but the multiplicity of domestic factors that affect states' international preferences and the complexity of their interactions makes it nearly impossible to infer others' goals with full confidence even under the best conditions (Edelstein, 2002; Garrett and Lange, 1996). Thus, domestic-level signals are useful as a "first cut" indicator of a state's preferences, but are incomplete. In the model presented below, these signals can be viewed as the basis of states' prior beliefs about others' intentions, which are then updated in response to behavioral signals at the international level.

Finally, the theory in this chapter assumes that states' goals are fixed. Many arguments attribute states' uncertainty about each other's future intentions to the possibility that their intrinsic preferences for the international order could change exogenously at the domestic level (Mearsheimer, 2001; Copeland, 2000; Kydd, 2005, pp. 202-203; Glaser 2010, pp. 110-111). Such arguments ignore the possibility that power shifts can cause a rising state's strategies to change even if its preferences are fixed, as increasing capabilities remove constraints over its behavior. By assuming that basic preferences are constant, the model presented below shows

that uncertainty about future intentions exists during power shifts even without the possibility of domestic-level changes, and isolates the systemic incentives driving uncertainty and conflict. However, to the extent that the domestic determinants of a rising state's preferences are unstable, the efficacy of the signaling mechanisms developed below is reduced, and uncertainty about the future intentions of others increases.

2.2   State of the Literature

2.2.1   Signaling Optimists vs. Signaling Pessimists

Despite extensive scholarship in international relations on both power shifts and interstate signaling, the question of how states signal their intentions during power shifts has been undertheorized. Whereas existing signaling theories have assumed a static distribution of power, theories of power shifts have assumed that declining states have fixed beliefs about risers' intentions, while neglecting the mechanisms by which those beliefs are formed.[11]

Although the question of how states signal their intentions during power shifts has not been directly addressed, the existing literature contains two main hypotheses based on differing assumptions. On one side are "signaling optimists," who assume that signals that are credible when the distribution of power is stable remain equally credible during power shifts. On the other side are "signaling pessimists," who argue that rising states' signals are largely non-credible, and therefore assume

[11] An exception is Powell (1996, 1999), who models an ongoing power shift in which the declining state is uncertain about the riser's resolve. The differences between Powell's models and the one presented here are discussed below.

that declining states are intractably uncertain about risers' future intentions.

The existing literature on interstate signaling has identified several mechanisms by which states can inform each other of their benign intentions by sending cooperative signals. For such signals to be credible, they must be "costly" - i.e., a credible signal of benign intentions must carry greater costs for a hostile state than for a benign one, and therefore be more likely to be sent by the benign type. The greater this differential in costs to the two types, the more credible the signal, and the more the receiver should update its beliefs in response (Fearon, 1997).

Signaling theorists have suggested several cooperative behaviors that have high costs for states with hostile intentions, but are low cost, or even beneficial, to benign types. For example, a state that does not intend to use military force against others for conquest or compellence can signal this benign intention by refraining from investment in military power or, if offensive and defensive weapons are distinguishable, investing in defensive technologies only (Jervis, 1978; Glaser, 1994; 1997). These actions are highly costly to a hostile, expansionist state, because they restrict its capacity for offensive military action. However, restricting offensive capabilities is less costly to a benign state that would not benefit from conquest, and therefore does not sacrifice any gains by refraining from offensive military investment.[12]

More generally, states can signal their benign intentions beyond military/territorial issues. States can raise their costs of revising the international order in non-cooperative ways by joining institutions that constrain their behavior (e.g., Ikenberry, 1998, 2001; Weinberger, 2003). Forgoing easy, low cost opportunities for

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[12]Even on high-stakes issues such as arms control, where cooperative signals carry high risks for benign types as well as hostile ones, optimists have shown that states can gradually build trust by first cooperating on low-risk issues, then incrementally raising the stakes until each side is confident that the other is benign (Kydd, 2005, pp. 194-200).

revision carries a high opportunity cost for hostile types, but is costless to benign types that prefer the status quo.[13] Similarly, participating in or bearing costs to support existing international institutions and norms is more costly to a hostile state that prefers an alternative international order than it is to a benign state that benefits from maintaining the decliner's preferred order (Johnston, 2003).[14]

Signaling optimists assert that these credible signaling mechanisms are ubiquitous, such that it is always possible for benign states to distinguish themselves from hostile ones. Although each of these signaling theories assumes a static distribution of power, optimists claim that even under a large projected power shift (PPS), declining states can unproblematically extrapolate a rising state's cooperative signals in the present to form accurate beliefs about the riser's intentions in the future, barring an unforeseeable exogenous change in the rising state's inherent goals (Kydd, 1997a, p. 148; Kydd, 2005, pp. 202-204; Glaser, 2010, pp. 110-112).[15] Optimists conclude that declining states should be well-informed of rising states' future intentions and therefore never take preventive action against benign risers, such that the rising and declining states' preferences for the international order must truly be incompatible for conflict to occur (Kydd, 1997a, 2005; Schweller,

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[13] For instance, Kydd (1997a) argues that a state's behavior toward its weaker neighbors is a credible signal of its intentions elsewhere, because its actions toward them are relatively unconstrained. Kydd (1997a), along with Fearon (1994) and Schultz (2001), argue that publically espousing an ideology or grand strategy consistent with international norms is also a credible signal, because deviating from that strategy is likely to incur punishment from domestic "audiences" and is therefore costly to leaders who intend to contravene those norms.

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[15] Charles Glaser writes that a benign rising state can "pursue cooperative/conciliatory policies that [credibly] signal its type, thereby reducing the danger posed by its growing power" (Glaser, 2010, p. 110), while Andrew Kydd argues that cooperative signals make it possible for benign rising states "to demonstrate that their goals are so [compatible] that even with the anticipated accession of power, they will remain [benign] security-seekers" (Kydd, 2005, p. 204).

1994).

However, another group of scholars - signaling pessimists - offer a powerful critique of the optimist argument. Pessimists claim that signaling mechanisms do not operate during power shifts, because rising states' cooperative signals are inherently non-credible (Copeland, 2000; Mearsheimer, 1990; 2001; Layne, 1993; Montgomery, 2006; Edelstein, 2002). Pessimists note that hostile rising states have powerful incentives to misrepresent their true intentions by behaving cooperatively early in a power shift, when their relative weakness makes any attempt at revision unlikely to succeed. Moreover, in order to continue to rise and gain the power necessary to achieve their preferred international order in the future, hostile types must avoid incurring preventive opposition from the declining state that would forestall their rise. Because the benefit of these future power gains outweighs the expected benefit of immediate revision, hostile risers should bide their time and behave cooperatively in the present, in order to convince the decliner to accommodate their rise (Copeland, 2000; Levy, 1987).

Pessimists conclude that this incentive to misrepresent makes rising states' cooperative signals completely non-credible: because such signals are sent by both benign and hostile types alike, they do not help the decliner to distinguish rising states' true goals for the international order. Declining states should therefore remain highly uncertain about any particular riser's future intentions. In addition, as their power wanes, decliners are increasingly vulnerable to future revision by a rising state if its intentions are actually hostile. This combination of uncertainty and future vulnerability gives the declining state a strong *preventive motivation*, that is, an incentive to take preventive action even against risers that have exhibited cooperative behavior (Copeland, 2000; Levy, 1987; Powell, 1996, 2006). Thus, for

pessimists, prevention is a strategy adopted by uncertain declining states for the sole purpose of reducing their future vulnerability.

Pessimists are correct that a rising state's incentive to misrepresent presents a powerful barrier to credible signals under a dynamic distribution of power. However, their conclusion that non-credible cooperative signals result in preventive action by the declining state is logically flawed: the declining state's preventive motivation should reduce a hostile riser's incentive to misrepresent, thereby increasing the credibility of cooperative signals.

Pessimists assert that a hostile rising state's incentive to misrepresent stems from its desire to avoid preventive opposition. However, pessimists also assert that the decliner will not update its beliefs in response to cooperative signals, and will take preventive action against the riser despite its cooperation. Anticipation of this unconditional preventive response should therefore vitiate the hostile riser's incentive to misrepresent: because they will incur the costs of opposition regardless of whether or not they cooperate, hostile risers have little incentive to forego the benefits of their preferred international order by sending cooperative signals, and should instead reveal their true types by attempting immediate revision. Conversely, because hostile risers reveal themselves in the face of preventive opposition, continued cooperation by a rising state to maintain the status quo order should constitute a credible signal that the riser's goals are truly compatible with the decliner's.

The following section presents a formal model of interstate signaling under a projected power shift, called the power shift game. The model shows that when the PPS is large enough, the declining state's equilibrium strategy is one of limited prevention, or "hedging", in response to rising states' cooperative signals, and

that the decliner's optimal degree of prevention increases with the size of the PPS. However, the model also shows that the credibility of the riser's cooperative signals increases with the decliner's degree of prevention. The information from these signals mitigate, but do not eliminate, the declining state's preventive motivation, which is why the decliner's optimal strategy is to hedge rather than to fully oppose cooperative risers. Thus, in contrast to the pessimist logic that prevention is solely a strategy for the declining state to reduce its future vulnerability to hostile rising states, the power shift game shows that prevention also provides informational benefits to the decliner that reduce the severity of tragic conflict with truly compatible risers.

2.2.2 Prior Models of Power Shifts and Interstate Signaling

The power shift game diverges in important ways from existing models of power shifts. Its most important feature is the declining state's uncertainty about the riser's preferences. Many theories of power shifts have examined how power shifts increase the likelihood of conflict through the commitment problem: the declining state would be willing to offer a peaceful settlement that would satisfy the riser under the current distribution of power, but knows that the riser will revise in the future as its probability of winning a conflict increases, thus compelling the decliner to take preventive action in the present. However, in order to isolate the effects of the commitment problem from the effects of asymmetric information in promoting conflict, these models assume that the rising and declining states are completely informed of each other's intentions and capabilities (Powell, 2004, 2006; Slantchev, 2003; Chadefaux, 2011). In contrast, the power shift game examines how the commitment problem and incomplete information affect each other during power

shifts, and how these two mechanisms then interact to influence the likelihood of conflict.

Second, the rising state cannot unilaterally restrain its own growth in the power shift game. Several recent models have allowed the rising state to choose whether or not to increase its power through military or economic investments (Debs and Monteiro, forthcoming; Chadefaux, 2011). On the other hand, in the power shift game, the distribution of power is exogenous to the rising state's actions or the shape of the international order. This assumption captures the intuition that power shifts are fundamentally due to differential rates of economic growth, which are determined exogenously at the domestic level by factors unrelated to the rising state's foreign policy goals. It also simplifies the model to examine the effects of a power shift on the credibility of a rising state's signals of its intentions, while holding constant the degree of information about its present and future capabilities.

Third, the power shift game allows declining states to act preventively to forestall the power shift, and allows rising states to misrepresent their hostile intentions by behaving cooperatively. In contrast, some prior models of power shifts only allow the decliner to initiate conflict in response to attempted revision by the rising state (Morrow and Kim, 1992; Tammen, et al., 2000), while others require the rising state to revise immediately in order for the power shift to continue (Powell, 1996, 1999). In the latter models, since cooperation ends the shift, there is no incentive for hostile risers to misrepresent, and cooperative signals are always fully informative of the riser's benign intentions. These assumptions must be relaxed in order to capture the effect of the decliner's preventive motivation on the credibility of the riser's cooperative signals.

The power shift game also diverges from existing models of how states signal

their intentions. As noted above, most of these models are based on the bargaining model of war, in which two states are uncertain about each other's resolve, i.e., the *intensity* of their preferences over a disputed asset.[16] However, in bargaining models actors are completely informed that the *content* of their preferences is perfectly incompatible: each wants to maximize its own share of the asset, and thus minimize the other's. In contrast, in the power shift game states are fully informed of each other's resolve – they place equal value on the international order – but are uncertain about the extent to which they agree on what they want the shape of the international order to be. This distinction is consequential in the context of a power shift. As the distribution of power changes in the future, external constraints over the riser's behavior are removed, such that even a weakly-resolved hostile riser would be inclined to reshape the international order in accordance with its own preferences and contrary to the decliner's. Thus, when inferring a rising state's future intentions, declining states are primarily concerned about the compatibility of its preferences, rather than its resolve.

The most prominent formal work on how states signal the compatibility of their preferences, rather than their resolve, is that of Andrew Kydd (1997b, 2000a, 2000b, 2005). Yet as previously noted, each of Kydd's models assumes a static distribution of power. This is consequential for two reasons. First, whereas Kydd's models contain two-sided incomplete information (both states are uncertain about each other's preferences), one-sided incomplete information is more appropriate in the context of a power shift, because the decliner has already revealed its underlying preferences by shaping and maintaining the status quo international order. Thus,

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[16]Rubenstein, 1982; Fearon, 1995. In the bargaining model, capabilities are modeled as p and $1 - p$, the reciprocal probabilities of each state winning an all-or-nothing conflict that results in the winner receiving the entire asset and the loser getting nothing. Resolve is modeled as c, the cost of conflict, with higher resolve represented by lower costs. There is no uncertainty about what each side wants: to have the disputed asset instead of its opponent.

in the power shift game, the rising state knows the decliner's preferences for the international order, but the declining state is uncertain about the riser's.

Most importantly, because they hold the distribution of power constant, Kydd's models do not distinguish between uncertainty about states' *basic* preferences - their inherent, internally derived goals - and their *induced* preferences, which are endogenous to the external constraints imposed by the existing distribution of power. For Kydd, because both the distribution of power and states' basic preferences are constant, their induced preferences also remain stable over time: a state that credibly signals its cooperative intentions in the present also signals its intention to cooperate in the future since neither its internal goals nor its external circumstances will have changed. In contrast, signaling is more difficult under a PPS, because the external component of a state's intentions - the distribution of power - will change in the future, such that a rising state's intentions tomorrow will not necessarily be the same as its intentions today. Therefore, in contrast to Kydd's work, the power shift game models how rising states can credibly signal their basic preferences, rather than their induced preferences, the allow the declining state to extrapolate their future behavior under a changed distribution of power.

2.3   Structure of the Power Shift Game

The power shift game has two players, a declining state, DS, and a rising state, RS, and proceeds in two rounds. The first round corresponds to an early phase of the power shift, in which the distribution of power asymmetrically favors DS and the issue at stake is the local international order in a particular region. In the

second round, the power shift is complete and the object at stake is the broader global international order.

The compatibility of the actors' preferences is represented as the gain, g, that RS gets from revising the international order to perfectly fit its own preferences.[17] DS is perfectly satisfied with the status quo international order, which is normalized to 0. Control over the international order is zero sum, such that any revision toward g gives RS positive utility, and gives DS equal and opposite negative utility. Thus, the larger g is, the less compatible the actors' preferences are. Preferences are constant across both rounds.

[FIGURE 1 ABOUT HERE]

In the first round of the power shift game, the sequence of moves starts with RS, which chooses to attempt some degree of revision, $r_1 \in [0, g]$, to the regional international order.[18] DS then chooses whether to oppose RS (O), or acquiesce (A). DS does not observe the exact value of r_1; instead it receives one of two signals depending on the size of r_1. If r_1 is large enough that the declining state's expected first-round payoff from playing O is greater than its expected first-round payoff from playing A, DS receives a "competitive" signal, or $\overline{r_1}$. Conversely, if r_1 is small enough that the declining state's expected first-round payoff is greater for playing A than for playing O, DS receives a "cooperative" signal, or $\underline{r_1}$.

The payoffs for each round of the game are as follows. If DS plays A, the rising state's payoff is r and the declining state's payoff is $-r$. If DS plays O, there is a

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[17]In other words, in the pspatial graph of the actors' preferences, g is the rising state's ideal point, while 0 is the declining state's ideal point.

[18]To simplify the rising state's payoffs, it is restricted from revising beyond its ideal point. This does not affect the results of the game, as RS would never play $r > g$ in equilibrium.

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conflict that determines whether the revision will be successful. Let C be the cost of conflict for each side and let P be the rising state's share of the distribution of power, i.e., the probability that its attempted revision is successful given that conflict occurs. The rising state's expected payoff from conflict is $Pr - C$, and the declining state's is $-Pr - C$. Both C and P_1, the rising state's share of the distribution of power in the first round, are exogenous and common knowledge.

[FIGURE 2 ABOUT HERE]

The declining state's first-round action determines P_2, the rising state's share of the distribution of power in the second round. If DS plays A in the first round, the rising state's share of the distribution of power increases by a factor of $\Delta \in \left[1, \frac{1}{p_1}\right]$ from the first round to the second round, such that P_2 is equal to ΔP_1. However, if the declining state plays O in the first round, the rising state's prospective power gain is cut in half, such that P_2 is equal to $\frac{1}{2}\Delta P_1 + \frac{1}{2}P_1$. Let ΔP_1, the rising state's "high" share of the second-round distribution of power, be referred to as $P_2|\text{A}$, and let $\frac{1}{2}P_1 + \frac{1}{2}\Delta P_1$ be referred to as $P_2|\text{O}$. Both $P_2|\text{A}$ and $P_2|\text{O}$ are common knowledge at the outset of the game, in that the actors agree about the change in the distribution of power from the first round to the second, conditional on the declining state's strategy.

In the second round, the first-round sequence and payoffs are repeated under P_2. RS attempts some degree of revision, $r_2 \in [0, g]$, to the global international order. DS then either opposes or acquiesces, ending the game. The extensive form is illustrated in Figure 3.

[FIGURE 3 ABOUT HERE]

The power shift game involves one-sided incomplete information: the declining state is uncertain about the rising state's preferences for the international order, but the rising state is completely informed about the declining state's. Whereas RS observes the exact value of g, DS is informed only of a range of possible values that g might take. The declining state's beliefs are expressed as B, the upper bound of that range - that is, B is the maximum degree of incompatibility that DS believes is possible. The lower bound on the range of possible values of g is 0, i.e., perfect compatibility between the rising and declining state's preferences. g is uniformly distributed within the range $(0, B)$, such that every value of g between 0 and B is equally likely. Thus, lower values of B correspond to more optimistic beliefs that RS is compatible, while higher values of B correspond to more pessimistic beliefs that RS is incompatible. The declining state's prior beliefs are expressed as B_0, the value of B at the start of the game, which is common knowledge. The declining state's posterior belief, the value of B after observing signal $\underline{r_1}$, is expressed as B'.

2.4 Results of the Power Shift Game

2.4.1 Second-Round Equilibria

In the second round, DS plays A in response any degree of revision $r_2 \leq \frac{C}{1-P_2}$, and O in response to any $r_2 > \frac{C}{1-P_2}$. Let $\frac{C}{1-P_2}$ be designated r_2^*. If $g \leq r_2^*$, RS can revise to its ideal point with impunity. RS therefore plays $r_2 = g$ and DS responds with A, yielding payoffs of $(g, -g)$ [payoffs are listed (RS, DS)]. However, when $g > r_2^*$, revision to the riser's ideal point $(r_2 = g)$ would result in conflict. Let $\frac{C+r_2^*}{P_2}$ be designated g_2^*. When $g \leq g_2^*$, the costs of conflict to RS outweigh the

expected benefit of revising the international order to its ideal point. Therefore when $r_2^* < g \leq g_2^*$, RS plays $r_2 = r_2^*$, DS plays A, and the payoffs are $(r_2^*, -r_2^*)$. Finally, when $g > g_2^*$, RS plays $r_2 = g$ and DS responds by playing O, yielding expected payoffs of $(P_2 g - C, -P_2 g - C)$.

These three second-round equilibria capture the declining state's incentive to secure a more favorable second-round distribution of power by preventively opposing the riser in the first round. Figure 4 shows that larger values of P_2, i.e., more power for the rising state, reduce the decliner's second-round payoffs. This occurs for several reasons. First, it increases the likelihood that if the riser is highly incompatible ($g > g_2^*$), it will win the conflict with the decliner and successfully revise the global international order. More importantly, however, higher values of P_2 also make it more *likely* that the riser will attempt revision, because the decliner's threat of opposition is no longer as effective a deterrent. As P_2 increases, the threshold g_2^* decreases, such that risers that would have been induced to play $r_2 = r_2^*$ in the second round under a less-favorable distribution of power instead attempt revision to their ideal point. Furthermore, as P_2 increases, the decliner becomes less willing to oppose the riser's revision, and instead makes greater concessions to the riser in order to avoid conflict. Therefore unless it is certain that it is facing a highly compatible riser ($g < \frac{C}{1-P_2}$ for all possible values of P_2), the decliner has some incentive to preventively oppose the riser in the first round.

[FIGURE 4 ABOUT HERE]

2.4.2 First-Round Equilibria

The power shift game has six first-round equilibria, three when the size of the projected power shift, Δ, is relatively small, and three when Δ is relatively large. This section describes the equilibria under each of these conditions.

Equilibria under a small PPS

When Δ is below a certain threshold, Δ^*, DS always plays A in response to the riser's cooperative signal, $\underline{r_1}$, and plays O in response to the non-cooperative signal, $\overline{r_1}$. In the first round, signal $\underline{r_1}$ is sent for any revision $r_1 \leq \frac{C}{1-P_1}$ and signal $\overline{r_1}$ is sent for any revision $r_1 > \frac{C}{1-P_1}$. Let the threshold $\frac{C}{1-P_1}$ be designated r_1^*.

The rising state's behavior when $\Delta < \Delta^*$ depends on the value of g. When RS is highly compatible ($g \leq r_1^*$), it revises the regional order to its ideal point g, which sends cooperative signal $\underline{r_1}$. In response, DS plays A, yielding payoffs of g for RS and $-g$ for DS. At the opposite extreme, highly incompatible risers also attempt revision to their ideal points, but send non-cooperative signals by doing so. Let $g_1^* = \frac{C + \frac{C}{1-P_1}}{P_1 + P_{2|O} - P_{2|A}}$ be the threshold of g above which RS is sufficiently incompatible that it attempts to immediately revise the regional order to its ideal point when $\Delta < \Delta^*$. When $g > g_1^*$, RS plays $r_1 = g$, sending signal $\overline{r_1}$. DS plays O in response, yielding expected payoffs of $P_1 g - C$ for RS and $-P_1 g - C$ for DS. Finally, when RS is moderately incompatible ($r_1^* < g \leq g_1^*$), it is unwilling to incur opposition in order to revise to its ideal point. Instead, these risers misrepresent their preferences by playing r_1^*, the greatest degree of revision that sends a cooperative signal. In response, DS plays A, yielding payoffs of r_1^* for RS and $-r_1^*$ for DS.

Because all rising states with a value of $g > g_1^*$ send signal $\overline{r_1}$, observation of

the cooperative signal $\underline{r_1}$ allows DS to infer that $g < g_1^*$. Therefore, in response to $\underline{r_1}$, DS updates its beliefs that g_1^* is the maximum possible value of g, yielding posterior belief $B' = g_1^*$ when $\Delta < \Delta^*$.

Equilibria under a large PPS

A different set of equilibria emerges under a large projected power shift, when $\Delta > \Delta^*$. Although DS still plays O in response to $\overline{r_1}$, it no longer always plays A in response to $\underline{r_1}$. Instead, DS plays a mixed strategy, in which it randomly plays O with probability $\pi \in (0,1)$ and A with probability $1 - \pi$. For the mixed strategy equilibrium to be supported, DS must be indifferent between playing O and playing A. This occurs when the decliner's posterior belief in response to $\underline{r_1}$, B', makes its expected utility from playing O equal to its expected utility from playing A (see appendix). Let this value of B' be designated B^*. In equilibrium, therefore, π takes on a value that induces first-round behavior from RS that causes DS to form posterior belief $B' = B^*$ when $\Delta > \Delta^*$.

As was the case when $\Delta < \Delta^*$, the rising state's behavior when $\Delta > \Delta^*$ depends on the value of g, but also on the value of π. RS is aware that when $\Delta > \Delta^*$, DS will play O in response to $\underline{r_1}$ with frequency π, such that it is no longer possible for RS to completely avoid opposition by cooperating. If $r_1^* < g < B^*$, RS still misrepresents by playing r_1^* and sending signal $\underline{r_1}$. However, when $B^* < g < g_1^*$, anticipation of the decliner's opposition induces RS to revise to its ideal point, instead of misrepresenting as it would have in the absence of opposition. In other words, the decliner's preventive response to cooperative signals under a large PPS lowers the riser's threshold for immediate revision from g_1^* to B^*. Observing $\underline{r_1}$

when $\Delta > \Delta^*$ then allows DS to eliminate all values of $g > B^*$, making B^* the maximum possible value of g and producing posterior belief $B' = B^*$.

Thus, a large PPS yields the following equilibria. When $g > B^*$, RS revises to g which sends signal $\overline{r_1}$, DS responds by playing O, and the expected first-round payoffs are $P_1 g - C$ for RS and $-P_1 g - C$ for DS. When $r_1^* < g < B^*$, RS plays r_1^* which sends signal $\underline{r_1}$, DS responds by playing O with probability π and A with probability $(1 - \pi)$, and the expected first-round payoffs are $\pi (P_1 r_1^* - C) + (1 - \pi) r_1^*$ for RS and $-\pi (P_1 r_1^* + C) - (1 - \pi) r_1^*$ for DS. Finally, when $g \leq r_1^*$, RS revises to g which sends signal $\underline{r_1}$, DS responds by playing O with probability π and A with probability $(1 - \pi)$, and the expected first-round payoffs are $\pi (P_1 g - C) + (1 - \pi) g$ for RS and $-\pi (P_1 g + C) - (1 - \pi) g$ for DS.

2.4.3 Comparative statics

This section describes the effects of an increase in the size of the projected power shift, Δ, on the three main outcomes of interest: the rising state's incentive to misrepresent, the credibility of the rising state's cooperative signals, and the declining state's incentive to initiate preventive conflict. The effect of an increase in Δ on each of these outcomes depends on whether the PPS is small $(\Delta < \Delta^*)$ or large $(\Delta > \Delta^*)$. Let Δ^* be the value of Δ below which $g_1^* < B^*$. In other words, Δ^* is defined as the size of the PPS below which DS always acquiesces in response to the rising state's cooperative behavior, and above which it exerts some degree of preventive opposition.

[FIGURE 5 ABOUT HERE]

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Figure 5 shows that g_1^*, the rising state's threshold for revision when $\Delta < \Delta^*$, increases with Δ. Therefore, under small power shifts $(\Delta < \Delta^*)$, an increase in the size of the PPS increases the riser's incentive to misrepresent. However, as the size of the PPS increases beyond Δ^*, the incentive to misrepresent decreases. Figure 5 shows that B^*, the riser's threshold for revision when $\Delta > \Delta^*$, decreases with Δ. Therefore, under large power shifts hostile rising states become more likely to reveal their incompatible goals by attempting immediate revision, rather than trying to avoid opposition by cooperating.

[FIGURE 6 ABOUT HERE]

Figures 6 shows that when the PPS is small $(\Delta < \Delta^*)$, the credibility of the riser's cooperative signals decreases with the size of the power shift. However, under large power shifts $(\Delta > \Delta^*)$, cooperative signals become more credible as Δ increases. Thus, a small PPS reduces the degree to which the declining state updates its beliefs in response to cooperative signals, whereas larger projected power shifts increase the change in the decliner's beliefs in response to cooperative signals.

[FIGURE 7 ABOUT HERE]

Finally, Figure 7 shows that π^*, the declining state's optimal degree of opposition in response to cooperative signals, increases with the size of the PPS. Under small power shifts $(\Delta < \Delta^*)$, the decliner does not oppose cooperative rising states at all $(\pi^* = 0)$. However, an increase in the size of the PPS beyond Δ^* increases the decliner's optimal degree of opposition in response to the cooperative signals

$(\pi^* > 0)$. Thus, as the size of the PPS increases, it becomes less possible for rising states to avoid opposition by exhibiting cooperative behavior.

In sum, Figures 5, 6 and 7 show that increasing the size of a small PPS increases the rising state's incentive to misrepresent and decreases the credibility of its cooperative signals, but does not prompt any preventive opposition from the declining state. Under large power shifts, however, an increase in the size of the PPS reduces the riser's incentive to misrepresent and increases the credibility of its cooperative signals, while also increasing the declining state's degree of preventive opposition in response to cooperation.

2.5   Discussion

The results of the power shift game contradict the hypotheses of both signaling optimists and signaling pessimists. Optimists argue that because cooperative signals are credible even under a large PPS, preventive conflict should rarely occur. Conversely, pessimists maintain that because rising states' cooperative signals are non-credible under a large PPS, preventive conflict is frequently unavoidable. In contrast, the power shift game shows that as the PPS increases beyond a certain size, rising states' cooperative signals become more credible, yet the declining state simultaneously becomes more inclined to initiate preventive conflict in response to cooperative behavior.

These counterintuitive findings beg the question of what the existing theories are missing: why do cooperative signals remain credible under large power shifts, contrary to the pessimist hypothesis? Why does preventive conflict become more severe in spite of credible signals, contrary to the optimist hypothesis?

The power shift game shows that the decliner's preventive motivation actually *causes* risers' cooperative signals to become more credible. As pessimists predict, a large PPS increases the declining state's future vulnerability, raising its incentive to preventively oppose cooperative rising states. However, the decliner's preventive motivation, in turn, reduces the incentive for incompatible risers to misrepresent: since cooperation will no longer allow them to completely avoid opposition, they have less of an incentive to forgo the benefits of immediately revising the international order. As such, incompatible risers are more likely to reveal their true goals by attempting revision rather than cooperating, thereby increasing the credibility of cooperative behavior as a signal of a rising state's compatible goals.

Thus, the power shift game identifies a novel benefit of a preventive strategy for declining states. Whereas existing theories have identified prevention as a way for declining states to minimize their vulnerability to revision in the future, the power shift game shows that prevention also serves as a screening mechanism that allows declining states to distinguish compatible and incompatible risers by their behavior, yielding valuable information about the rising state's future intentions. By reducing the declining state's uncertainty, a strategy of limited prevention early in a power shift mitigates the severity of tragic conflict between states with compatible preferences, while allowing the decliner to identify and fully oppose truly incompatible rising states that threaten its goals for the international order. These informational benefits give declining states an additional incentive to adopt a hedging strategy against cooperative risers beyond simply reducing its future vulnerability.

The remainder of this section presents the logic behind the counterintuitive results of the power shift game regarding the declining state's preventive motiva-

tion, the credibility of the rising state's cooperative signals, and the effect of these signals on the decliner's subsequent foreign policy.

2.5.1 How power shifts increase preventive opposition

As Figure 7 shows, large power shifts dramatically increase the declining state's incentive to preventively oppose cooperative rising states. Under a relatively stable distribution of power ($\Delta < \Delta^*$), the decliner has little reason to bear the costs of preventive opposition. On one hand, even if it accommodates the riser, the distribution of power is projected to be only slightly less favorable to the decliner in the future than in the present. As such, the decliner will not become significantly more vulnerable in the future, and can afford to take a cooperative, "wait and see" approach in the hope of avoiding costly conflict. Furthermore, under a small power shift the riser's cooperative behavior is unlikely to change in the future, regardless of its underlying preferences for the international order, because the constraints it faces in the future will be similar to those it faces in the present. Therefore, the decliner can be confident that a state that cooperates in the present will continue to do so in the future, even if it has incompatible underlying goals.[19]

These incentives are reversed under a large PPS ($\Delta > \Delta^*$). Because the future distribution of power will be far less favorable to the decliner, it faces high vulnerability to future revision by rising states with incompatible goals. Moreover, the decliner cannot extrapolate rising states' future behavior from their past actions, because they will face fewer constraints as their power increases. It must

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[19]Thus, under a relatively stable distribution of power, the power shift game corroborates the findings of existing signaling models that show how states can consistently signal their induced preferences, which are endogenous to the external constraints that they face from the international system (e.g., Kydd, 2000a, 2005).

therefore infer their future intentions from their underlying goals. However, because incompatible rising states have strong incentives to misrepresent their goals, in order to avoid opposition and maximize their power to achieve revision in the future, their cooperative signals are never fully informative. Indeed, as Figures 5 and 6 illustrate, in the absence of preventive opposition under relatively small power shifts, rising states' cooperative signals become less credible as the size of the PPS increases.

Thus, under large projected power shifts, declining states remain somewhat uncertain about the future intentions of cooperative risers, and increasingly vulnerable to revision if the riser is hostile. This combination of uncertainty and vulnerability gives the declining state a powerful incentive to forestall the power shift by initiating preventive conflict when the PPS is large, despite the costs of this strategy in the present. As such, the larger the PPS, the more likely that preventive conflict will occur between rising and declining states with compatible preferences.

Proposition 1 Under small projected power shifts ($\Delta < \Delta^*$), declining states do not oppose rising states that have displayed cooperative behavior ($\pi^* = 0$).

Proposition 2 Under large projected power shifts ($\Delta > \Delta^*$), declining states adopt a hedging strategy, in which they partially oppose rising states that have displayed cooperative behavior ($\pi^* > 0$). An increase in the size of the PPS increases the declining state's degree of opposition in response to cooperative signals.

2.5.2 How prevention increases the credibility of cooperative signals

The counterintuitive result shown in Figure 6, that rising states' cooperative signals become more credible under large projected power shifts, is caused by the declining state's incentive to initiate preventive conflict. Consider the riser's incentives under a relatively small PPS ($\Delta < \Delta^*$), when the decliner's future vulnerability is low enough that it does not preventively oppose cooperative behavior at all. In the absence of prevention, an increase in the size of the PPS increases the incentive for incompatible rising states to misrepresent. By cooperating in the present, risers can completely avoid opposition, thereby gaining power that will allow them to revise the international order at lower cost and higher probability of success in the future. The larger the PPS, the more power the rising state has to gain in the future by avoiding opposition in the present. Thus, as the PPS increases in the absence of prevention, more and more incompatible rising states exhibit cooperative behavior, thereby decreasing the credibility of that behavior as a signal of compatible goals.

Now consider the riser's incentives under a large PPS ($\Delta > \Delta^*$). In this case, rising states anticipate that they will incur some degree of opposition from the declining state even if they behave cooperatively, either because they are aware of the decliner's preventive motivation, or because the decliner has already initiated preventive actions that the riser expects to continue. Although cooperation still incurs less opposition from the declining state than revision does, it no longer allows risers to completely avoid opposition. Incompatible rising states therefore have less of an incentive to misrepresent - which requires them to forgo the benefits of immediate revision - because doing so will still result in some costs of conflict and a reduction in their power trajectory. The higher the degree of opposition they

anticipate in response to cooperation, the more willing incompatible types will be to incur full opposition by attempting revision. Thus, as the declining state's degree of preventive opposition increases with the size of the PPS, incompatible rising states become more likely to attempt to revise the international order in accordance with their own preferences, rather than suffering under an order they are dissatisfied with.

In contrast, compatible rising states always behave cooperatively, regardless of the decliner's degree of preventive opposition. Because compatible types share the decliner's preference for the status quo international order, revision is inherently costly to them, such that they continue to cooperate by maintaining the status quo even if they incur preventive opposition. Thus, as incompatible types become less likely to behave cooperatively under a large PPS due to the decliner's preventive motivation, cooperative behavior becomes a more credible signal that the riser is truly compatible, and prompts the decliner to update its beliefs accordingly. By imposing the costs of a limited preventive strategy on the rising state, the decliner induces incompatible types to reveal themselves early in the power shift, while increasing the accuracy of its beliefs about compatible types.

Proposition 3 Under small projected power shifts ($\Delta < \Delta^*$), an increase in the size of the PPS increases the likelihood that incompatible rising states exhibit cooperative behavior, and decreases the credibility of this behavior as a signal of the riser's goals.

Proposition 4 Under large projected power shifts ($\Delta > \Delta^*$), an increase in the size of the PPS decreases the likelihood that incompatible rising states exhibit cooperative behavior, and increases the credibility of this behavior as a signal of the riser's goals.

2.5.3 How credible signals affect the declining state's strategy

The credible signals elicited by the declining state's preventive opposition benefit the decliner in two ways. First, by inducing incompatible rising states to reveal their true type early in the power shift, the decliner can subsequently impose full containment upon those states to suppress their rise before they have gained too much power. Although this increases the decliner's short term costs of conflict, it increases the decliner's long-term utility by reducing its vulnerability to the incompatible riser's inevitable revision in the future. Second, by increasing the credibility of cooperative signals, limited prevention in the present actually mitigates the severity of preventive conflict with compatible risers throughout the power shift. In the absence of information from the riser's cooperative signals, the declining state's intense vulnerability under a large PPS would compel it to impose a much higher degree of opposition. By using a strategy of limited prevention early in the power shift, the decliner becomes far more confident that cooperative risers are truly compatible, which allows it to maintain relatively low levels of opposition and minor costs of conflict thereafter. Put another way, using a preventive strategy to eliminate the possibility that the riser has the most extremely incompatible preferences allows the decliner to continue to adopt a moderate hedging strategy toward cooperative rising states, rather than fully opposing them as it would in the absence of credible signals.

2.5.4 Theoretical implications

The results of the power shift game have several important implications for existing theories of interstate signaling and power shifts. Prevention has previously been treated solely as a strategy for declining states to reduce their vulnerability to revision by a rising state in the future, given a fixed degree of uncertainty about that riser's intentions. Signaling pessimists, assuming that information about the rising state's intentions is intractably scarce, conclude that declining states are often compelled to take preventive action in order to reduce their future vulnerability, despite its immediate costs. Signaling optimists, assuming that benign rising states can always credibly signal their intentions, conclude that the costs of preventive action are rarely warranted by the benefits of reducing future vulnerability. In contrast, the power shift game identifies an additional informational benefit that a preventive strategy provides the decliner. Rather than being fixed, as optimists and pessimists assume, the decliner's uncertainty varies with its degree of prevention: the more the decliner opposes in response to cooperation, the more credible the riser's cooperative signals are about its underlying preferences for the international order. Thus, in addition to reducing the declining state's future vulnerability, prevention also provides the decliner with information that allows it to moderate its opposition of benign risers while escalating its containment of hostile ones. The power shift game therefore shows that preventive strategies are more valuable than either optimists or pessimists have previously recognized, particularly when the decliner is initially highly uncertain about the riser's intentions.

Furthermore, the power shift game indicates that the declining state's baseline level of uncertainty increases with the size of the PPS, enhancing the value of prevention as a screening mechanism. The optimist assumption that cooperative

signals are as credible under a power shift as they are under a stable distribution of power is incorrect. As pessimists predict, all else equal, the larger the PPS the greater the incentive for hostile rising states to misrepresent their intentions. However, the pessimist assumption that cooperative signals are completely non-credible under a large PPS is also wrong: preventive opposition reduces the riser's incentive to misrepresent, and increases the credibility of its cooperative signals. Thus, the results of the power shift game regarding the credibility of a rising state's signals fall between the extrema of the optimist and pessimist hypotheses. Although a rising state's cooperative signals are never completely informative, as they are under static conditions, they retain significant credibility as long as the declining state adopts a hedging strategy of limited prevention.

The power shift game also has implications for the likelihood and character of great power conflict under a PPS. Contrary to optimists, the decliner's preventive motivation increases with the size of the power shift, despite the presence of credible signals. Yet contrary to pessimists, these signals still mitigate the decliner's preventive motivation, resulting in a limited degree of preventive conflict even under a large PPS. Indeed, the severity of preventive conflict increases with the size of the PPS not because the riser's cooperative signals are non-credible, but because prevention itself serves to make them credible. In order to get information that will allow it to maintain a moderate hedging strategy toward benign risers, the decliner must exert some degree of opposition in order to overcome the riser's incentive to misrepresent. Thus, the power shift game shows that preventive conflict increases with the size of the PPS in part because the information that a preventive strategy yields becomes even more valuable and scarce as the PPS increases.

Finally, several existing theories of power shifts have stated that rising states

should never initiate conflict by attempting revision before the power shift is complete, because doing so invites opposition that jeopardizes their future power gains and decreases their likelihood of successfully revising in the future. Instead, these theories claim, conflicts during power shifts are always initiated preventively by declining states, due to a combination of future vulnerability and uncertainty about the riser's future intentions. The power shift game demonstrates that the decliner's preventive motivation also provides hostile risers with an incentive to initiate conflict *preemptively.* The greater the decliner's incentive to oppose cooperative behavior, the less hostile risers benefit from misrepresenting, and the less inclined they are to forgo the benefits of their preferred international order in order to send cooperative signals. Thus, in anticipation of the decliner's preventive action, hostile rising states are likely to precipitate conflict by attempting immediate revision, resulting in full-scale conflict with the declining state instead of limited competition under the decliner's hedging strategy.

[TABLE 1 ABOUT HERE]

2.6 Conclusion

Despite extensive literatures on both power shifts and interstate signaling, signaling in the context of a dynamic distribution of power has remained drastically undertheorized. Existing theories of interstate signaling show that states can credibly signal their intentions under a stable distribution of power, and assume that these signaling mechanisms operate in exactly the same way during power shifts. These "signaling optimists" argue that because states can always credibly signal their intentions, conflict between rising and declining states with compatible pref-

erences should be exceedingly rare. In contrast, many power shift theorists assume that because rising states have powerful incentives to misrepresent incompatible goals for the international order, risers can never credibly signal benign intentions. These "signaling pessimists" therefore conclude that declining states are highly uncertain about rising states' intentions, resulting in a high incidence of preventive conflict between states with compatible goals.

The formal model presented in this chapter relaxes the assumptions of both the signaling literature and the power shifts literature to determine how the size of a power shift affects the credibility of rising states' cooperative signals and the likelihood of preventive conflict. The model yields three main results. First, a moderate preventive strategy not only reduces the declining state's vulnerability to future revision, it also provides valuable information about the rising state's future intentions, allowing the decliner to fully oppose hostile rising states while reducing the likelihood and severity of conflict with benign ones. Second, rising states' cooperative signals remain largely credible even under a large PPS and mitigate the decliner's preventive motivation, yet the likelihood of preventive conflict still increases with the size of the PPS. Third, the power shift game suggests a mechanism by which hostile rising states might precipitate conflict by preemptively attempting revision in anticipation of the decliner's hedging strategy.

These findings have important implications for contemporary US foreign policy toward rising states, particularly China. American policymakers and academics alike have expressed great concern and uncertainty about China's future intentions as it gains power and influence over the shape of the international order in East Asia and beyond, engendering widespread debate over how to infer China's preferences.[20] This study suggests that the credibility of China's behavioral signals at

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[20]Prominent arguments that include complete summaries of this debate include Johnston, 2003;

the international level depends in large part on the United States' policy toward China. If the US adopts a strategy of full accommodation that fosters the continued growth of China's relative power, China's cooperation with the rules and norms of the existing order is not very credible as a signal of its benign future intentions: even a hypothetically incompatible China that would prefer an order that is at odds with US goals - for example, one that is less economically open, less supportive of democracy and human rights, and/or less restrictive of the use of military force - has a strong incentive to cooperate in the present, in order to avoid US opposition and gain the power it needs to achieve its revisionist aims in the future. On the other hand, if China continues to support and participate in the liberal, US-led international order despite US efforts to contain China's relative power growth, such behavior is a much more credible signal that China's preferences are truly compatible with those of the US. If American leaders were to update their beliefs in response to such signals, the US could gradually reduce its containment of China, fostering more cooperative US-China relations in the long run.

However, a hard-line preventive strategy, i.e. full containment of China, would be prohibitively costly in either military or economic terms (Kirshner, 2012). The US cannot afford either direct military confrontation or a trade war with China, given the destructive capacity of the two countries' militaries and the extreme interdependence of their economies. Instead, the power shift game indicates that a "hedging" strategy of limited prevention would serve to increase the credibility of China's cooperative signals, while also limiting the costs to the US of competing with China for power. Such a strategy would not necessarily have to be zero-sum: the US could continue to cooperate with China, while pressing China for a more

Goldstein, 2005; Christensen, 2006; Friedberg, 2006; Legro, 2007; Swaine, 2011.

favorable distribution of the benefits from that cooperation. For example, by pressuring China to revalue its currency, reduce state subsidies to Chinese firms that enhance their international competitiveness, and assume greater responsibility for providing international public goods, such as international economic and environmental regulations, the US would simultaneously reduce China's growth relative to the US, while maintaining absolute benefits for both countries from cooperation under the status quo order. While a compatible China that prefers to maintain the liberal international order would likely be willing to accept a more equitable distribution of benefits from cooperation, thereby sacrificing some relative power gains, an incompatible China that seeks to gain power as a means of future revision would be less likely to accept such an arrangement, and more likely to respond to US pressure by increasingly attempting to reshape the international order to suit its own goals. Thus, a US strategy of continued positive engagement with China, combined with competition for relative gains regarding the benefits of cooperation, would both increase the credibility of China's cooperative signals while reducing China's capacity to revise the international order in ways unfavorable to the US if its goals are in fact incompatible.

2.A   Appendix: Proof of the Equilibrium Results of the Power Shift Game

This appendix contains a proof of the comparative statics of the power shift game with respect to the size of the PPS, Δ. The equilibria of the game are derived using the perfect Bayesian equilibrium solution concept: each actor's strategies are best responses to each other at all decision nodes given their beliefs, which must be derived using Bayes' rule. The game is solved through backward induction, beginning with the second-round equilibria and then proceeding with the first-round equilibria.

Lemma 1 *When $g \leq r_2^* = \frac{C}{1-P_2}$, the second-round equilibrium outcome is $(r_2 = g, \mathrm{A})$. When $r_2^* < g < g_2^* = \frac{C + \frac{C}{1-P_2}}{P_2}$, the second-round equilibrium outcome is $(r_2 = r_2^*, \mathrm{A})$. When $g > g_2^*$, the second-round equilibrium outcome is $(r_2 = g, \mathrm{O})$.*

Proof. The final move of the terminal second round is made by DS, which chooses whether to oppose (O) or acquiesce (A). The decliner's payoff for O is $-P_2 r_2 - C$ and its payoff for A is $-r_2$, where r_2 is the size of the riser's attempted second-round revision. Setting these utility functions equal and solving for r_2 reveals that the decliner's best response is to play A when $r_2 \leq \frac{C}{1-P_2}$, and to play O otherwise. Let $\frac{C}{1-P_2}$ be designated r_2^*.

Given that DS will play O in response to $r_2 > r_2^*$ and A in response to $r_2 \leq r_2^*$, the riser's payoff for playing $r_2 > r_2^*$ is $P_2 r_2 - C$ and its payoff for playing $r_2 \leq r_2^*$ is r_2. If $g \leq r_2^*$, RS can revise to its ideal point and DS will acquiesce, yielding outcome (g, A). When $g > r_2^*$, r_2^* is the closest RS can get to its ideal point without incurring opposition. Its choice is therefore between a payoff of r_2^* and $P_2 g - C$ if

it attempts revision to its ideal point. Setting these payoffs equal and solving for g reveals that RS revises to its ideal point when $g > \frac{C + \frac{C}{1-P_2}}{P_2}$ and plays r_2^* when $r_2^* < g < \frac{C + \frac{C}{1-P_2}}{P_2}$. Let $\frac{C + \frac{C}{1-P_2}}{P_2}$ be designated g_2^*. ∎

Lemma 2 *DS always plays* O *in the first round in response to signal* $\overline{r_1}$. *When* RS *sends signal* $\overline{r_1}$, *it does so only by playing* $r_1 = g$.

Proof. The declining state's overall payoff from playing a particular strategy, S_1, in the first round in response to competitive signal $\overline{r_1}$ is

$$U_{DS}\left(S_1 | \overline{r_1}\right) = U_{DS}\left(t_1, S_1 | \overline{r_1}\right) + U_{DS}\left(t_2\right) | S_1$$

where $U_{DS}\left(t_1, S_1 | \overline{r_1}\right)$ is the decliner's stand-alone first-round payoff given signal $\overline{r_1}$, and $U_{DS}\left(t_2\right) | S_1$ is the decliner's expected second-round payoff given that it played S_1 in the first round.

The equilibria in Lemma 16 allow us to show that for all values of g, the decliner's second-round payoffs are higher under $P_2 | \text{O}$ than under $P_2 | \text{A}$. If $g < \{g_2^* | \text{O}, g_2^* | \text{A}\}$, the concession DS would have to make to avoid conflict under $P_2 | \text{A}$ (i.e., $r_2^* | \text{A}$) is at least as great as the concession that it makes under $P_2 | \text{O}$ (i.e., $r_2^* | \text{O}$). Because $r_2^* | \text{O} < r_2^* | \text{A}$, when $g_2^* | \text{O} < g < g_2^* | \text{A}$ the decliner's expected payoff from conflict under $P_2 | \text{O}$ is necessarily greater than the concessions it would have to make to avoid conflict under $P_2 | \text{A}$. Finally, if $g > \{g_2^* | \text{O}, g_2^* | \text{A}\}$, the decliner's probability of winning the conflict is higher under $P_2 | \text{A}$ than under $P_2 | \text{O}$. Therefore, the decliner always does at least as well in the second round if it plays O in the first round.

By definition, the decliner's stand-alone first-round payoff for playing $\text{O} | \overline{r_1}$ is greater than its stand-alone first-round payoff for playing $\text{A} | \overline{r_1}$. Therefore, since

$U_{DS}(t_2)|O_1 \geq U_{DS}(t_2)|A_1$, $U_{DS}(O_1|\overline{r_1}) > U_{DS}(A_1|\overline{r_1})$, and DS always plays O in response to $\overline{r_1}$.

The declining state receives signal $\overline{r_1}$ for all $r_1 > r_1^*$. Since the decliner's response is the same no matter how far above r_1^* the riser's attempted revision is, RS will never play any value of $r_1 > r_1^*$ other than its ideal point. Thus, whenever the competitive signal $\overline{r_1}$ occurs, the first-round outcome is (g, O). ∎

Lemma 3 B^*, *the threshold belief at which DS is indifferent between playing* O *and* A *in response to $\underline{r_1}$, is the value of B' that satisfies the following equation (substituting B' for any threshold $\{r_2^*|\textsc{s}, g_2^*|\textsc{s}\} > B'$):*

$$(1 - P_1)\, r_1^* \left(1 - \frac{r_1^*}{2B'}\right) - C - \frac{B' - g_2^*|\textsc{o}}{B'}\left(P_2|\textsc{o}\, \frac{B' + g_2^*|\textsc{o}}{2} + C\right) - \frac{g_2^*|\textsc{o} - r_2^*|\textsc{o}}{B'}\, r_2^*|\textsc{o} - \frac{(r_2^*|\textsc{o})^2}{2B'}$$

$$= -\frac{B' - g_2^*|\textsc{a}}{B'}\left(P_2|\textsc{a}\, \frac{B' + g_2^*|\textsc{a}}{2} + C\right) - \frac{g_2^*|\textsc{a} - r_2^*|\textsc{a}}{B'}\, r_2^*|\textsc{a} - \frac{(r_2^*|\textsc{a})^2}{2B'} \qquad (2.1)$$

Proof. If RS plays $\underline{r_1}$ in the first round, the decliner's best response depends on its beliefs about the riser's type, which in turn dictates the riser's behavior in the second round under each potential distribution of power. The declining state's overall expected payoff for playing strategy S in response to $\underline{r_1}$ is its stand-alone first-round payoff from playing S, plus its expected second-round payoff under $P_2|\textsc{s}$.

The declining state's expected stand-alone payoff in the first round for playing O in response to $\underline{r_1}$ is

$$U_{DS}(t_1, O)\,|\underline{r_1} = -P_1\left(r_1^* * \Pr[g > r_1^*] + \frac{r_1^*}{2} * \Pr[g \leq r_1^*]\right) - C \qquad (2.2)$$

and the decliner's stand-alone first-round payoff for playing A in response to $\underline{r_1}$ is

$$U_{DS}(t_1, A)\,|\underline{r_1} = -r_1^* * \Pr[g > r_1^*] - \frac{r_1^*}{2} * \Pr[g \leq r_1^*] \qquad (2.3)$$

Because the exact size of the riser's attempted revision is unknown to DS, the decliner's expected payoff depends on the probability that RS is a misrepresenting type that revised to r_1^*, as opposed to a compatible type that revised to its ideal point, which on average would be $\frac{r_1^*}{2}$.

The declining state's expected payoff in the second round is

$$U_{DS}(t_2) = -\left(P_2 \frac{B' + g_2^*}{2} + C\right) * \Pr\left[g > g_2^*\right] - r_2^* * \Pr\left[r_2^* < g < g_2^*\right] - \frac{r_2^*}{2} * \Pr\left[g < r_2^*\right]$$

(2.4)

Recall that the decliner's posterior belief about the value of g in response to $\underline{r_1}$ is expressed as a uniform probability distribution $(0, B')$, where B' is the maximum possible value of g. Therefore, in equation 2.2 the probability that $g > r_1^*$ is $\frac{B'-r_1^*}{B'}$, and the probability that $g \leq r_1^*$ is $\frac{r_1^*}{B'}$. Likewise, in equation 2.3 the probability that $g > g_2^*$ is equal to $\frac{B'-g_2^*}{B'}$, the probability that $g < r_2^*$ is $\frac{r_2^*}{B'}$, and the probability that $r_2^* < g < g_2^*$ is $\frac{g_2^*-r_2^*}{B'}$.

Combining the decliner's stand-alone first-round payoff for playing $A|\underline{r_1}$ and its expected second-round payoff under $P_2|A$ yields its overall expected payoff for playing $A|\underline{r_1}$ in the first round:

$$U_{DS}(A|\underline{r_1}) =$$
$$-\frac{r_1^*(B' - r_1^*)}{B'} - \frac{r_1^{*2}}{2B'} - \frac{B' - g_2^*|A}{B'}\left(P_2|A \frac{B' + g_2^*|A}{2} + C\right) - \frac{g_2^*|A - r_2^*|A}{B'} r_2^*|A - \frac{(r_2^*|A)^2}{2B'}$$

(2.5)

Likewise, combining the decliner's stand-alone first-round payoff for playing $O|\underline{r_1}$ and its expected second-round payoff under $P_2|O$ yields its overall expected

payoff for playing $O|\underline{r_1}$ in the first round:

$$U_{DS}\left(O|\underline{r_1}\right) = -P_1 \left(\frac{r_1^*(B' - r_1^*)}{B'} + \frac{r_1^{*2}}{2B'} \right) - C$$
$$- \frac{B' - g_2^*|O}{B'} \left(P_2|O \frac{B' + g_2^*|O}{2} + C \right) - \frac{g_2^*|O - r_2^*|O}{B'} r_2^*|O - \frac{(r_2^*|O)^2}{2B'} \quad (2.6)$$

All probabilities in equation 2.4 must be ≥ 0. Thus, B' is substituted into equations 2.6 and 2.5 in place of any threshold $\{g_2^*|S, r_2^*|S\} > B'$, since values of g or r above B' are not possible.

Setting equation 2.6 equal to equation 2.5 and simplifying produces equation 3.8. Solving equation 3.8 for B' yields B^*: DS plays O in the first round if $B' > B^*$, and plays A in the first round if $B' < B^*$. ∎

Lemma 4 B^* exists for all $\{P_1 > 0, \Delta > 1\}$.

Proof. B^* exists when $U_{DS}\left(A|\underline{r_1}\right) = U_{DS}\left(O|\underline{r_1}\right)$. When B' approaches 0, $U_{DS}\left(A|\underline{r_1}\right) > U_{DS}\left(O|\underline{r_1}\right)$. Therefore, we can demonstrate that B^* exists by showing that $U_{DS}\left(A|\underline{r_1}\right)$ decreases faster as a function of B' than $U_{DS}\left(O|\underline{r_1}\right)$ does.

Subtracting $U_{DS}\left(O|\underline{r_1}\right)$ from $U_{DS}\left(A|\underline{r_1}\right)$ and taking the first derivative with respect to B' yields

$$\frac{d}{dB'} \left[U_{DS}\left(A|\underline{r_1}\right) - U_{DS}\left(O|\underline{r_1}\right) \right] = -\left(P_2|A - P_2|O\right) 2B'$$

For all vectors of the game parameters such that $\{P_1 > 0, \Delta > 1\}$, $P_2|A > P_2|O$. Therefore, $U_{DS}\left(A|\underline{r_1}\right) - U_{DS}\left(O|\underline{r_1}\right)$ is monotonically decreasing in B', such that $U_{DS}\left(A|\underline{r_1}\right) = U_{DS}\left(O|\underline{r_1}\right)$ for some value of B'. Thus, there is always some belief B^* about the riser's type that supports a hedging strategy by the decliner, in which it probabilistically mixes O and A. ∎

Lemma 5 *If the decliner's best response is to play* A *in response to* $\underline{r_1}$*, then the rising state plays* $r_1 = r_1^*$ *when* $r_1^* < g < g_1^* \equiv \frac{C + r_1^*}{P_1 + P_2|o - P_2|A}$*, and plays* $r_1 = g$ *when* $g \geq g_1^*$.

Proof. As with DS, the riser's overall expected payoff from first-round strategy S_1 is the sum of its expected first-round payoff and its expected second-round payoff given S_1. From Lemma 17, we know that if RS plays $r_1 > r_1^*$, the first-round outcome is (g, O). Therefore, the riser's stand-alone first-round payoff from playing $r_1 > r_1^*$ is always $P_1 g - C$, and the second-round distribution of power will be $P_2|\text{O}$. If RS instead plays $r_1 = r_1^*$ and DS responds by playing A, then the riser's stand-alone first-round payoff is r_1^* and the second-round distribution of power will be $P_2|\text{A}$.

The second round payoffs given S_1 depend on where g falls with respect to the riser's thresholds for revising to its ideal point in the second round, $g_2^*|\text{O}$ and $g_2^*|\text{A}$. Four cases must be considered: $g > \{g_2^*|\text{O}, g_2^*|\text{A}\}$, $g_2^*|\text{A} < g < g_2^*|\text{O}$, $g_2^*|\text{O} < g < g_2^*|\text{A}$, and $g > \{g_2^*|\text{O}, g_2^*|\text{A}\}$.

Case 6 *Suppose* $g > \{g_2^*|\text{O}, g_2^*|\text{A}\}$*. In this case, RS is sufficiently incompatible that it plays* $r_2 = g$ *under either* $P_2|\text{O}$ *or* $P_2|\text{A}$*. Its expected second-round payoff from playing* $r_1 > r_1^*$ *is* $(P_2|\text{O}) g - C$ *and its expected second-round payoff from playing* $r_1 = r_1^*$ *is* $(P_2|\text{A}) g - C$*. Thus the riser's overall expected payoffs when* $g > \{g_2^*|\text{O}, g_2^*|\text{A}\}$ *are*

$$U_{RS}(r_1 > r_1^*) = (P_2|\text{O} + P_1)g - 2C \tag{2.7}$$

$$U_{RS}(r_1 = r_1^*) = (P_2|\text{A}) g - C + r_1^* \tag{2.8}$$

Setting the right-hand sides of equations 2.7 and 2.8 equal and solving for g yields the threshold, g_1^*, above which RS revises to its ideal point when $g > \{g_2^*|\text{O}, g_2^*|\text{A}\}$

even if DS will play A *in response to* $\underline{r_1}$*:*

$$g_1^* = \frac{C + r_1^*}{P_1 + P_2|\mathrm{O} - P_2|\mathrm{A}} \tag{2.9}$$

For all vectors of the game parameters $\{P_1, \Delta\}$*,* $g_1^* > \{g_2^*|\mathrm{O}, g_2^*|\mathrm{A}\}$*. Therefore* g_1^* *always exists when* $g > \{g_2^*|\mathrm{O}, g_2^*|\mathrm{A}\}$*.*

In contrast, when g is less than $g_2^*|\mathrm{O}$ or $g_2^*|\mathrm{A}$, *RS* never plays $r_1 > r_1^*$ in the first round if *DS* will play A in response to $\underline{r_1}$.

Case 7 *Suppose* $g_2^*|\mathrm{A} < g < g_2^*|\mathrm{O}$*. In this case, playing* $r_1 = r_1^*$ *yields an expected payoff of* $(P_2|\mathrm{A})\, g - C$ *in the second round, while playing* $r_1 > r_1^*$ *yields expected second-round payoff* $r_2^*|\mathrm{O}$*. Thus, the riser's overall expected payoffs when* $g_2^*|\mathrm{A} < g < g_2^*|\mathrm{O}$ *are*

$$U_{RS}(r_1 \ > \ r_1^*) = r_2^*|\mathrm{O} + P_1 g - C$$
$$U_{RS}(r_1 \ = \ r_1^*) = (P_2|\mathrm{A})\, g - C + r_1^*$$

Solving this system of equations for g *reveals that RS revises to its ideal point in the first round if* $g < \frac{r_2^*|\mathrm{O} - r_1^*}{P_2|\mathrm{A} - P_1}$*. However, for all vectors of the game parameters* $\{P_1, \Delta\}$*,* $\frac{r_2^*|\mathrm{O} - r_1^*}{P_2|\mathrm{A} - P_1} < g_2^*|\mathrm{A}$*, which contradicts the original supposition. Therefore, RS never plays* $r_1 > r_1^*$ *when* $g_2^*|\mathrm{A} < g < g_2^*|\mathrm{O}$ *if DS will play* A *in response to* $\underline{r_1}$*.*

Case 8 *Suppose* $g_2^*|\mathrm{O} < g < g_2^*|\mathrm{A}$*. In this case, playing* $r_1 = r_1^*$ *yields an expected payoff of* $r_2^*|\mathrm{A}$ *in the second round, while playing* $r_1 > r_1^*$ *yields expected second-round payoff* $(P_2|\mathrm{O})\, g - C$*. Thus, the riser's overall expected payoffs when* $g_2^*|\mathrm{O} < g < g_2^*|\mathrm{A}$ *are*

$$U_{RS}(r_1 \ > \ r_1^*) = (P_2|\mathrm{O} + P_1)\, g - 2C$$
$$U_{RS}(r_1 \ = \ r_1^*) = r_2^*|\mathrm{A} + r_1^*$$

Solving this system of equations for g reveals that RS revises to its ideal point in the first round if $g > \frac{r_2^*|\text{A}+r_1^*+2C}{P_2|\text{O}+P_1}$. However, for all vectors of the game parameters $\{P_1, \Delta\}$, $\frac{r_2^*|\text{A}+r_1^*+2C}{P_2|\text{O}+P_1} > g_2^*|\text{A}$, which contradicts the original supposition. Therefore, RS never plays $r_1 > r_1^*$ when $g_2^*|\text{O} < g < g_2^*|\text{A}$ if DS will play A in response to $\underline{r_1}$.

Case 9 *Suppose $g < \{g_2^*|\text{A}, g_2^*|\text{O}\}$. In this case, playing $r_1 = r_1^*$ yields an expected payoff of $r_2^*|\text{A}$ in the second round, while playing $r_1 > r_1^*$ yields expected second-round payoff $r_2^*|\text{O}$. Thus, the riser's overall expected payoffs when $g < \{g_2^*|\text{A}, g_2^*|\text{O}\}$ are*

$$U_{RS}(r_1 \;>\; r_1^*) = r_2^*|\text{O} + P_1 g - C$$

$$U_{RS}(r_1 \;=\; r_1^*) = r_2^*|\text{A} + r_1^*$$

Solving this system of equations for g reveals that RS revises to its ideal point in the first round if $g > \frac{r_2^*|\text{A}-r_2^*|\text{O}+r_1^*+C}{P_1}$. However, for all vectors of the game parameters $\{P_1, \Delta\}$, $\frac{r_2^*|\text{A}-r_2^*|\text{O}+r_1^*+C}{P_1} > \{g_2^*|\text{A}, g_2^*|\text{O}\}$, which contradicts the original supposition. Therefore, RS never plays $r_1 > r_1^*$ when $g < \{g_2^*|\text{A}, g_2^*|\text{O}\}$ if DS will play A in response to $\underline{r_1}$.

Cases 1-4 show that if DS will play A in response to $\underline{r_1}$, RS plays $r_1 > r_1^*$ only when $g > g_1^* \equiv \frac{C+r_1^*}{P_1+P_2|\text{O}-P_2|\text{A}}$. Recall that RS is defined as a misrepresenting type if $r_1^* < g < g_1^*$, and a revisionist type if $g > g_1^*$. Therefore, if DS will play A in response to $\underline{r_1}$, RS plays $r_1 = g$ when $g > g_1^*$, and plays $r_1 = r_1^*$ when $r_1^* < g < g_1^*$. ∎

Proposition 10 *When the PPS is below a certain threshold, Δ^* - the value of Δ above which $B^* < g_1^*$ - DS acquiesces in response to cooperative signals in the first round. When this is the case, an increase in the size of the PPS decreases both the*

likelihood that RS revises to its ideal point in the first round, and the credibility of

its cooperative signals.

Proof. The declining state plays A in the first round in response to $\underline{r_1}$ *iff* $B' < B^*$. From Lemma 5, we know that if DS will play $A|\underline{r_1}$, RS sends signal $\underline{r_1}$ when $g < g_1^*$, and $\overline{r_1}$ when $g > g_1^*$. This means that $B' = g_1^*$: because observation of $\underline{r_1}$ eliminates any possibility that $g > g_1^*$, DS knows that g_1^* is the maximum possible value of g. Therefore, for DS to play $A|\underline{r_1}$ in equilibrium, g_1^* must be less than B^*.

For all vectors of the game parameters $\{P_1, C\}$, there exists some threshold of Δ below which $g_1^* < B^*$, and above which $g_1^* > B^*$. This threshold, Δ^*, exists when $g_1^* = B^*$. When $\Delta = 1$ (its minimum value), $g_1^* < B^*$. Therefore, we can demonstrate that Δ^* exists by showing that g_1^* increases faster as a function of Δ than B^* does.

From Lemma 4,
$$g_1^* = \frac{C + r_1^*}{P_1 + P_2|_O - P_2|_A}$$
As $P_2|_A \to (P_1 + P_2|_O)$, the denominator in equation 2.9 approaches 0, and $g_1^* \to \infty$. Furthermore, $P_2|_A$ increases faster as a function of Δ than $(P_1 + P_2|_O)$ does:

$$\frac{d}{d\Delta}(P_2|_A) = P_1 > \frac{1}{2}P_1 = \frac{d}{d\Delta}(P_1 + P_2|_O) \tag{2.10}$$

Therefore, as Δ increases, $P_2|_A \to (P_1 + P_2|_O)$ and $g_1^* \to \infty$. Conversely, Lemma 4 shows that $B^* < \infty$ for $\forall\ \Delta > 1$. Therefore, there exists some value of Δ, Δ^*, at which $g_1^* = B^*$.

When $\Delta < \Delta^*$, DS plays A in response to $\underline{r_1}$ and the riser's threshold for revising to its ideal point is given by g_1^*. Equations 2.9 and 2.10 show that g_1^* monotonically increases as a function of Δ. Therefore, as Δ increases below the

threshold Δ^*, RS becomes less likely to play $r_1 > r_1^*$ in the first round, and more likely to misrepresent by playing $r_1 = r_1^*$. Finally, because $B' = g_1^*$ when $\Delta < \Delta^*$, B' also increases with Δ for values of $\Delta < \Delta^*$. This means that as Δ increases below the threshold Δ^*, the less the cooperative signal $\underline{r_1}$ prompts DS to update its belief that RS is compatible. ∎

Lemma 11 *Let g_{rev} be the threshold of g above which RS sends signal $\overline{r_1}$ and below which it sends signal $\underline{r_1}$ for any value of Δ. When $\Delta > \Delta^*$, $g_{\mathrm{rev}} = B^*$. In that case, DS adopts a hedging strategy in the first round in response to cooperative signals, in which it plays O with frequency π^* and A with frequency $1 - \pi^*$. The value of π^* makes $g_{\mathrm{rev}} = B' = B^*$, such that DS is indifferent between playing O and A. π^* is defined by the following piecewise function:*
When $B' > g_2^*|\mathrm{o}$,

$$\pi^* = \frac{C + r_1^* + (P_2|\mathrm{A} - P_2|\mathrm{o} - P_1)B^*}{C + (1 - P_1)r_1^* + (P_2|\mathrm{A} - P_2|\mathrm{o})B^*} \tag{2.11}$$

When $g_2^*|\mathrm{A} < B' < g_2^*|\mathrm{o}$,

$$\pi^* = \frac{C + r_1^* + (P_2|\mathrm{A} - P_1 - P_2|\mathrm{o})\, B^*}{(1 - P_1)\, r_1^* + (P_2|\mathrm{A})\, B^* - r_2^*|\mathrm{o}} \tag{2.12}$$

When $r_2^*|\mathrm{A} < B' < g_2^*|\mathrm{A}$,

$$\pi^* = \frac{C + r_1^* - P_1 B^* + r_2^*|\mathrm{A} - r_2^*|\mathrm{o}}{C + (1 - P_1)r_1^* + r_2^*|\mathrm{A} - r_2^*|\mathrm{o}} \tag{2.13}$$

When $B' < r_2^*|\mathrm{A}$,
$$\pi^* = \frac{C + r_1^* + (1 - P_1)B^* - r_2^*|\mathrm{o}}{C + (1 - P_1)r_1^* + B^* - r_2^*|\mathrm{o}} \tag{2.14}$$

Proof. The declining state plays a mixed strategy in the first round in response to $\underline{r_1}$ when $\Delta > \Delta^*$. We can show this by demonstrating that neither of the decliner's pure strategies, O or A, are supported in equilibrium. Suppose that the decliner

plays A in response to $\underline{r_1}$. Proposition 1 shows that if A is the decliner's best response to $\underline{r_1}$, RS sends signal $\overline{r_1}$ *iff* $g > g_1^*$, such that $B' = g_1^*$. However, by definition, $g_1^* > B^*$ when $\Delta > \Delta^*$. which means that $B' > B^*$. Therefore, DS cannot play $A|\underline{r_1}$ when $\Delta > \Delta^*$, because doing so results in a posterior belief that makes DS prefer playing $O|\underline{r_1}$ to playing $A|\underline{r_1}$.

Now suppose that O is the decliner's best response to $\underline{r_1}$. In this case, RS revises to its ideal point for all values of $\dot{g}$, which sends signal $\underline{r_1}$ when $g < r_1^*$ and $\overline{r_1}$ when $g > r_1^*$. This makes the decliner's posterior belief $B' = r_1^*$. However, for $\forall \{P, \Delta\}$, $r_1^* < B^*$, which means that $B' < B^*$ if DS will play $O|\underline{r_1}$. Therefore, O cannot be the decliner's best response to $\underline{r_1}$, because if it were, the decliner's posterior belief in response to $\underline{r_1}$ would lead it to prefer to play A.

A mixed strategy only occurs when an actor is indifferent among its pure strategies. Therefore, in equilibrium, the frequencies with which DS plays O and A in response to $\underline{r_1}$ must result in a posterior belief that makes DS indifferent between $A|\underline{r_1}$ and $O|\underline{r_1}$. In other words, in response to $\underline{r_1}$, DS must play O with frequency π^* and A with frequency $1 - \pi^*$ such that $B' = B^*$. By definition, $B' = g_{\text{rev}}$, the value of g above which RS sends signal $\overline{r_1}$ and below which it sends signal $\underline{r_1}$. Thus, in order to make $g_{\text{rev}} = B' = B^*$, π^* must take on a value that makes RS indifferent between playing $r_1 = r_1^*$ and $r_1 = g$ when $g = B^*$. This occurs when π satisfies the following equation:

$$\pi * U_{RS}(r_1^*, \text{O}) + (1 - \pi) * U_{RS}(r_1^*, \text{A}) = U_{RS}(g, \text{O}) \qquad (2.15)$$

When $B' > g_2^*|\text{O}$, equation 2.15 is equal to

$$\pi(P_1 r_1^* + (P_2|\text{O}) B^* - 2C) + (1 - \pi)[(P_2|\text{A}) B^* - C + r_1^*] = (P_2|\text{O} + P_1)B^* - 2C$$

When $g_2^*|\text{A} < B' < g_2^*|\text{O}$, equation 2.15 is equal to

$$\pi(P_1 r_1^* + r_2^*|\text{O} - C) + (1 - \pi)\left[(P_2|\text{A})B^* - C + r_1^*\right] = (P_2|\text{O} + P_1)B^* - 2C$$

When $r_2^*|\text{A} < B' < g_2^*|\text{A}$, equation 2.15 is equal to

$$\pi(P_1 r_1^* + r_2^*|\text{O} - C) + (1 - \pi)(r_2^*|\text{A} + r_1^*) = P_1 B^* + r_2^*|\text{O} - C$$

When $B' < r_2^*|\text{A}$, equation 2.15 is equal to

$$\pi(P_1 r_1^* + r_2^*|\text{O} - C) + (1 - \pi)(B^* + r_1^*) = P_1 B^* + r_2^*|\text{O} - C$$

Solving each of these equations for π yields the values of π^* in equations 2.11, 2.12, 2.13, and 2.14, respectively. ∎

Lemma 12 *When $\Delta = \Delta^*$, B^* is decreasing as a function of Δ, i.e., $\frac{d}{d\Delta}U_{DS}(\text{A}|\underline{r_1}) < \frac{d}{d\Delta}U_{DS}\left(\text{O}|\underline{r_1}\right)$. Let $\Delta^{**} > \Delta^*$ be the value of Δ at which $\frac{d}{d\Delta}U_{DS}(\text{A}|\underline{r_1}) = \frac{d}{d\Delta}U_{DS}\left(\text{O}|\underline{r_1}\right)$. When $\Delta < \Delta^{**}$, B^* monotonically decreases as a function of Δ.*

Proof. From Lemma 18, we know that the decliner's threshold belief for playing O in response to $\underline{r_1}$, B^*, decreases as its utility for playing $\text{A}|\underline{r_1}$ decreases relative to its utility for playing $\text{O}|\underline{r_1}$. In other words, B^* decreases when $\frac{d}{d\Delta}U_{DS}(\text{A}|\underline{r_1}) - \frac{d}{d\Delta}U_{DS}\left(\text{O}|\underline{r_1}\right) < 0$. If we can show using equation 3.8, that this condition is satisfied when $U_{DS}(\text{A}|\underline{r_1}) = U_{DS}\left(\text{O}|\underline{r_1}\right)$, then there is some range of $\Delta > \Delta^*$ in which B^* is monotonically decreasing as a function of Δ.

Let Δ^{**} be the upper bound on the range of $\Delta > \Delta^*$ in which B^* is monotonically decreasing. The algebraic operations to prove that $\Delta^{**} > \Delta^*$ are too unwieldy to present here. Instead, I outline the steps involved in the proof.

Step 1 Implicitly differentiate $U_{DS}(\text{A}|\underline{r_1})$ and $U_{DS}\left(\text{O}|\underline{r_1}\right)$ with respect to Δ.

Step 2 Solve $\frac{d}{d\Delta}U_{DS}(\text{A}|\underline{r_1}) - \frac{d}{d\Delta}U_{DS}\left(\text{O}|\underline{r_1}\right) = 0$ for $(B^*)'$.

Step 3 Set $(B^*)' < 0$ and solve for Δ to find Δ^{**}.

Step 4 Evaluate $\Delta^* \gtreqless \Delta^{**}$ to show that $\Delta^* < \Delta^{**}$ for all plausible values of B^* and P_1.

■

Proposition 13 *When the PPS is between Δ^* and Δ^{**}, an increase in the size of the PPS:*

1. *increases the decliner's degree of opposition in response to cooperative signals,*

2. *increases the likelihood that RS attempts revision to its ideal point, and*

3. *increases the credibility of the riser's cooperative signals.*

Proof. Lemma 11 established that when $\Delta > \Delta^*$, $B' = g_{\text{rev}} = B^*$. From Lemma 12, we also know that B^* monotonically decreases in Δ when $\Delta^* < \Delta < \Delta^{**}$. Therefore, g_{rev} and B' also monotonically decrease as functions of Δ when $\Delta^* < \Delta < \Delta^{**}$: as RS becomes less inclined to revise to its ideal point in the first round, DS gains less information from its cooperative signals. From Lemma 11, equations 2.11, 2.12, 2.13, and 2.14 show that for all values of Δ, π^* decreases as a function of B^*. Therefore, since B^* monotonically decreases as a function of Δ when $\Delta^* < \Delta < \Delta^{**}$, π^* monotonically increases in Δ over that same range: as the size of the PPS increases, the decliner's optimal degree of opposition also increases. ■

Tables and Figures

Figure 1: Spatial Graph of Preferences and Signals in the Power Shift Game

Status Quo $\underline{r}$ $\bar{r}$ Maximum Potential Incompatibility

0 $\frac{c}{1-P}$ g B_0

Declining State's Ideal Point   Rising State's Ideal Point

Figure 2

Effect of Declining State's 1st-Round Action on 2nd-Round Distribution of Power
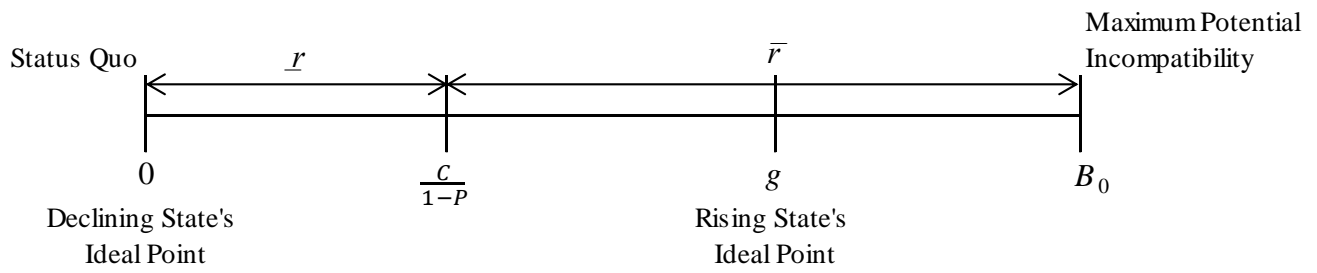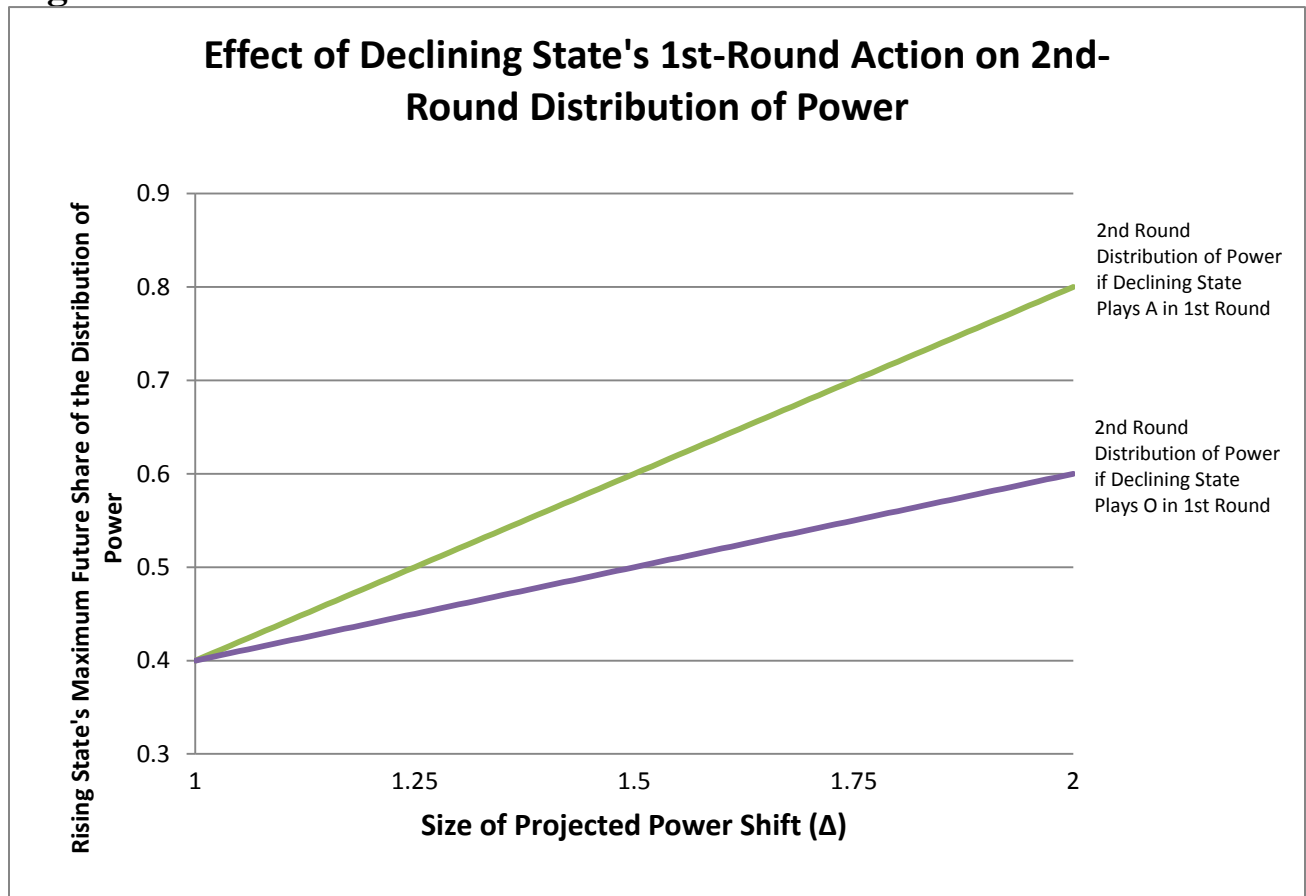
Figure 3: The Power Shift Game

Revision
r_2
$-r_2$

Acquiesce

Revision
r_1
$-r_1$

RS r_2 DS

0

Oppose

Conflict
$P_2|_A * r_2 - C$
$-P_2|_A * r_2 - C$

RS r_1

0

Acquiesce

DS

Regional Stage
(1st Round)

Global Stage
(2nd Round)

Oppose

Conflict
$P_1 r_1 - C$
$-P_1 r_1 - C$

Revision
r_2
$-r_2$

Acquiesce

RS r_2 DS

0

Oppose

Conflict
$P_2|_O * r_2 - C$
$-P_2|_O * r_2 - C$

Figure 4

Effect of Power Shift on Declining State's Future Payoffs

Figure 5

Rising State's Incentive to Misrepresent

(Y-axis) Minimum Degree of Incompatibility for Rising State to Revise in 1st Round

g_{rev}

B^*

g_{rev}

B^*

(X-axis) Δ^* — 1 — 1.2 — 1.4 — 1.6

Size of Projected Power Shift (Δ)

Figure 6

Declining State's Degree of Updating in Response to Cooperative Signals

Change in Decliner's Beliefs $(B_0 - B')$

Size of Projected Power Shift (Δ)

1   Δ^* 1.2   1.4   1.6

Figure 7

Degree/Frequency of Declining State's Opposition Toward Cooperative Rising States

Table 1: Competing hypotheses under a large PPS

	Utility of prevention for decliner	Credibility of cooperative signals	Likelihood of preventive conflict	Initiator of conflicts
Signaling Optimists	Reduces future vulnerability	High	Low	Hostile rising states
Signaling Pessimists	Reduces future vulnerability	Low	High	Declining states
Power Shift Game	Reduces uncertainty & future vulnerability	Moderate; increases w/ degree of prevention	Moderate; increases w/ size of the PPS	Decliners preventively hedge; hostile risers preemptively attempt revision

Chapter 3

Retrenchment as a Screening Mechanism

3.1   Introduction

In the wake of persistent economic woes, American weariness from two decade-long foreign wars, and the rise of numerous developing states, a burgeoning literature on retrenchment has emerged in recent years. Proponents of retrenchment argue that is often an effective strategy for states in relative decline to bring their expenditures and commitments into line with their diminished capabilities, thereby reducing overextension and allowing them to more effectively defend their most vital interests and maintain their power position.[1] Critics argue that retrenchment exacerbates decline by surrendering international influence, sacrificing control over

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[1] Layne, 2012; Haynes, 2012; Haynes et al, 2012; MacDonald and Parent, 2011; 2012; Spruyt, 2005; Kennedy, 1987; Bacevich, 2008; Preble, 2009; Triesman, 2004; Rock, 2000.

valuable sources of power, and by signaling vulnerability, thereby alienating allies while encouraging rising states to expand at the decliner's expense.[2] Both sides of this debate treat retrenchment as a strategy that states adopt from a position of weakness, i.e., after they have lost a considerable amount of power and are desperate to reduce costs or concentrate their resources to meet growing threats. Even proponents of retrenchment acknowledge that it is not a favorable outcome for a declining state to abandon interests that it had previously seen as beneficial enough to invest significant resources in, but argue that under many circumstances, the decliner simply has no choice.

This chapter presents an alternative view of retrenchment as a strategy that declining states might choose to adopt from a position of strength, before they reach the point where they must retrench out of necessity. I argue that in addition to forestalling decline by reducing costs, retrenchment can provide a declining state with valuable information about rising states' intentions, which allows it to form a more optimal foreign policy strategy early in the course of a power transition. In the language of game theory, retrenchment serves as a screening mechanism that allows a declining state to distinguish rising states with benign intentions from those with hostile intentions based on their behavior. With reliable information about the intentions of rising states, the declining state can subsequently accommodate benign risers, while marshaling its still-superior resources to forestall the rise of hostile states.

History contains prominent examples of power shifts in which retrenchment allowed a declining state to update its beliefs about a rising state's future intentions. Through the end of the 19th century, Britain held highly pessimistic beliefs about

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[2]Monteiro, 2011; Gilpin, 1981; Copeland, 2000; Thompson, 2012; Brooks and Wohlforth, 2007; Kagan, 2010; Christensen, 2006.

the intentions of the United States, beliefs that were unchanging even in response to cooperative American behavior. However, around the turn of the 20th century, a declining Britain drew down its military and political presence in the Western Hemisphere and East Asia, regions where US power was rapidly rising, in order to meet more immediate threats in Europe and the Near East. By the early years of the 20th century, British leaders had almost completely reversed their beliefs about the intentions of the US, and actively sought to abet its rise as Britain's successor in defending the liberal international economic order. Conversely, in the middle years of the Second World War the United States held remarkably optimistic beliefs about the intentions of the Soviet Union, which was projected to gain significant power relative to the US in the postwar world. However, after the US conceded control of Eastern Europe to the USSR, Soviet behavior became decisively less cooperative, prompting US leaders to infer that Soviet intentions were hostile and implement a strategy of preventive containment in response.

In both of these cases, the declining state's retrenchment increased the credibility of a rising state's behaviors as signals of its future intentions, and allowed the decliner to alter its foreign policy accordingly. Early in a power shift, rising states are unlikely to attempt revision of the international order because they are constrained by the presence of the declining state, which is still quite powerful relative to themselves. It is therefore difficult for a declining state to determine whether or not a particular rising state intends to revise the international order in the future - when it has become more powerful and faces fewer constraints - because even hostile rising states have an incentive to cooperate in the present while they are relatively weak. However, by withdrawing from a particular region, a declining state can remove constraints over risers' behaviors in that region. In the absence of these constraints, a rising state is then free to revise the regional

order at relatively low cost, if it so desires. Thus, hostile rising states will be tempted to reveal their true intentions through revisionist behavior in response to retrenchment. On the other hand, if a rising state refrains from revision despite the opportunity afforded by the decliner's retrenchment, it constitutes a credible signal that the rising state's intentions are actually benign, since hostile types would be likely to attempt revision. Thus, a rising state's behavior in a particular region under low constraints allows the decliner to infer how it is likely to behave in other regions as it becomes more powerful, and the constraints it faces have been reduced more generally.

This chapter presents a formal model that illustrates the logic of retrenchment as a screening mechanism, explicating the mechanisms by which retrenchment elicits credible signals and by which the information from those signals informs the decliner's policy choices. The model also identifies the conditions under which a retrenchment strategy is most likely to be adopted by the declining state, and the tradeoffs that such a strategy entails. Specifically, retrenchment is of the greatest benefit to the decliner when the projected power shift is large, when retrenchment is adopted early in the power shift, and when the region of retrenchment is of high value to the rising state, but low value to the declining state.

These findings have important implications for contemporary US foreign policy, in particular vis-a-vis China as it continues to rise relative to the United States for the foreseeable future. American policymakers have long been anxious over China's ambiguous future intentions for the broad international order, and conflicted about how to respond to China's rise. At the same time, the US strategy in Asia has long been predicated on deterring Chinese revision of the regional order, even on issues of minor importance to the US, by maintaining a strong military presence, firm

alliance commitments, and control over the rules governing the global and regional economies. This pattern has been reinforced by the Obama administration's recent "pivot" toward Asia. The theory presented here calls that strategy into question. It suggests instead that US foreign policy may benefit from removing constraints over China's behavior in East Asia on issues that are asymmetrically important to China, in order to gain insight into China's likely future behavior on other issues that are more important to the United States.

The remainder of the chapter proceeds as follows. The first section reviews the existing literature on retrenchment to demonstrate its exclusive focus on reducing costs, and explicates the barriers that power shifts pose to credible signals of rising states' intentions. The second section presents a formal model of retrenchment during a power shift under conditions of uncertainty and explains the intuition behind its results. The third section discusses the utility and limitations of the theoretical findings, as well as how they can be tested using historical case studies. The chapter concludes with an application of the findings to contemporary US policy toward China.

3.2 The Retrenchment Debate

Academic treatment of retrenchment has undergone a revival in recent years as scholars have increasingly questioned US foreign policy expenditures in light of a sluggish American economy, the ongoing rapid growth of China and other developing countries, and numerous US foreign policy commitments abroad, most notable the decade-long wars in Iraq and Afghanistan. Retrenchment is commonly defined as the withdrawal of resources from particular commitments abroad in an absolute

sense, meaning that the retrenching state reduces its expenditures from previous levels. I define retrenchment more broadly, as any action by a state that increases another's capacity to revise the international order in a particular region. This definition highlights the importance of retrenchment as a relative concept pertaining to the international distribution of power, and allows retrenchment to include passive actions by a state that declines to keep pace with increases in the resource commitments of others.

The existing literature on retrenchment is divided into two camps: "optimists," who see retrenchment as a common and effective strategy for reversing decline, and "pessimists," who hold that retrenchment is rare, and serves mainly to exacerbate decline when implemented. The optimist-pessimist debate hinges on the relative magnitude of costs entailed in a retrenchment strategy versus an alternative strategy, either continued overextension or prevention. Pessimists focus of the costs of retrenchment and assert that these are so great as to make retrenchment a last-resort that seldom reverses decline (Gilpin, 1981, pp. 192-197; Copeland, 2000, pp. 40-41, 49; Monteiro, 2011; Huntington, 1993; Kagan, 2009). First, retrenchment may sacrifice or indirectly jeopardize assets that underpin the decliner's power base.[3] Second, retrenchment reveals the declining state's weakness to others, accelerating decline by prompting allies to withdraw their cooperation and encouraging expansion by rising challengers to fill the power vacuum. Third, retrenchment reduces the declining state's international influence and ability to provide public goods, thereby reducing the benefits it accrues from controlling the shape of the

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[3]In their prescriptions for US foreign policy, pessimists have argued that the United States need not retrench because its present international dominance allows it to shape the rules of the international order in ways that are asymmetrically beneficial to itself, and that maximizing, rather than minimizing its international presence is the best means of forestalling US decline (Brooks and Wohlforth, 2007; Ikenberry, 2012; Beckley, 2012; Brooks, Ikenberry and Wolhforth, 2013).

international order.[4] Thus, pessimists conclude that "retrenchment...is a course seldom pursued by a declining power," and that declining states are more likely to adopt an assertive policy of expansion or prevention if these strategies are feasible (Gilpin, 1981, p. 194).

Optimists have responded by disputing the magnitude of the costs that pessimists attribute to retrenchment, while emphasizing the costs of maintaining commitments. They argue that because states often wield their power gratuitously and irresponsibly when they face few constraints, declining states tend to have many international commitments from which it is relatively costless to withdraw. Moreover, withdrawal from these commitments allows the declining state to reallocate resources to more productive pursuits - particularly investment in the domestic economy or defense of truly vital international interests that were deteriorating due to overstretch (Kennedy, 1987; Treisman, 2004; Rock, 2000; Parent and MacDonald, 2011; Posen, 2013). Optimists claim that retrenchment does not necessarily diminish prestige because states' reputations for power are context-dependent: withdrawing from some commitments can signal strength and resolve in others. Retrenchment also does not automatically sacrifice the declining state's preferred international order, especially if there are "successor states" present that share the declining state's interests and will adequately maintain the status quo in its absence (Parent and MacDonald, 2011; Haynes, 2012). By retaining expansive foreign commitments, declining states pose threats to others, thereby engendering the formation of balancing coalitions, increasing the risk of accidental conflict, and undermining the legitimacy of the status quo order (Walt, 2005; MacDonald and Parent, 2011; Posen, 2013; Preble, 2009; Friedman, Gholz, Press and Sapolsky,

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[4]Brooks, Ikenberry and Wohlforth, 2013. This is Arthur Stein's "hegemon's dilemma": in order to continue to reap the benefits of controlling the shape of the international order, powerful states must maintain costly commitments and governance costs that engender their decline (Stein, 1984).

2009). Finally, optimists note that the costs and risks of prevention or overextension are often far greater than those of retrenchment, likening these strategies to "suicide from fear of death" (Layne, 2006; MacDonald and Parent, 2011, p. 15).

There are several striking aspects of the retrenchment debate. First, there is little conceptual or theoretical disagreement between the two sides: both optimists and pessimists agree, somewhat tautologically, that retrenchment occurs under particular conditions that make the costs of maintaining or expanding commitments greater than the costs of withdrawing them. It is simply the subjective emphasis they place on particular forms of costs that lead them to differing conclusions about how common and effective a retrenchment strategy is. Pessimists acknowledge that retrenchment is viable if vital interests are not at stake, the costs of preventive conflict are prohibitive, and expenditures or counterbalancing by other states would be substantially reduced as a result. They simply see these conditions as rare (Gilpin, 1981, pp. 192-193, 197, 232; Copeland, 2000, pp. 40-41; Brooks, Ikenberry and Wohlforth, 2013, pp. 25-27; idem, 2013). On the other hand, optimists have shown empirically that retrenchment is far more common and effective than pessimists have recognized, but also that adoption of retrenchment is highly contingent on several factors, including the importance of the decliner's international commitments, the returns on reinvesting the resources saved by retrenchment in other pursuits, and the presence of allies in the region that can continue to defend the decliner's interests (MacDonald and Parent, 2011; Haynes, 2012).

Second, despite framing their arguments in support of retrenchment, optimists broadly agree with pessimists that retrenchment is an undesirable strategy that is adopted only as a last resort. They admit that retrenchment is a "fallback option,"

implemented "reluctantly, and only after a dramatic military failure has demonstrated the impossibility of maintaining their current position by force" and that "retrenchment is by no means easy, but necessity is the mother of invention, and declining great powers face powerful incentives to contract" (Haynes et al., 2012, pp. 192-193; MacDonald and Parent, 2011, pp. 9-10). As a result, both optimists and pessimists expect that retrenchment is a strategy that declining states will adopt from a position of weakness, after decline has progressed significantly and other options are no longer available. As Kyle Haynes notes, "Policymakers are extremely loath to retrench, and will do so only after decline has generated overwhelming incentives for it" (Haynes, et al., 2012, p. 192; see also MacDonald and Parent 2011, p. 21). This is remarkably similar to the pessimist position that if a state does retrench, it "seldom retrenches or makes concessions of its own initiative," but rather will "retrench in response to threats or military defeat" (Gilpin, 1981, p. 194).

In sum, both optimists and pessimists see retrenchment as a costly strategy that declining states adopt only out of desperation; the "least-bad" of a menu of undesirable options. Both sides focus on the costs of retrenchment relative to those of alternative strategies of maintaining commitments or preventive containment or war, and differ mainly over the magnitude of those costs, rather than the content of the costs and benefits that retrenchment entails.

In focusing on relative costs, this debate has omitted an important aspect of retrenchment that confers positive benefits on the declining state, in addition to reducing its costs of overextension. I argue below that retrenchment provides valuable information to the declining state about rising states' future intentions by inducing risers with hostile intentions to behave differently than those with benign

intentions. This allows the decliner to adopt cooperative foreign policies toward benign types, while concentrating its resources to contain the rise of hostile types. The logic of retrenchment as a screening mechanism throws additional weight behind the optimist position that retrenchment is a viable and efficacious response to decline. However, in contrast to the expectations of the existing optimist position, my argument implies that declining states have an incentive to retrench early in a power shift from a position of strength, long before the constraints of decline have left it with no other options, in order to acquire information about risers' intentions as early as possible and get the maximum benefit from a well-informed foreign policy toward them.

3.3 Power Shifts, Uncertainty and the Dilemmas of Decline

Great powers use their superior capabilities to shape the rules, norms, and distribution of resources that constitute the international order, in order to serve their security and non-security goals. During power shifts, declining states will become increasingly vulnerable to revision of their preferred international order by rising states in the future. A decliner's policy toward any particular rising state therefore depends on the latter's intentions: if the rising state is a benign type that shares the decliner's preferences for the international order, then the optimal policy is one of accommodation and cooperation, since the rising state will sustain the status quo even after it has become more powerful. However, if the rising state is a hostile type that intends to revise the international order in ways that are harmful to the decliner's goals, the declining state would prefer to forestall the power shift by abandoning cooperation in favor of a policy of containment (Walt, 1986; Schweller, 1994; Glaser, 2010). Recent literature on interstate signaling has shown

that, under a stable distribution of power, states can often credibly communicate their intentions through the use of costly signals - i.e., actions that are more costly for a hostile state to undertake than for a benign one.[5]

However, it is difficult for declining states to determine whether any particular rising state is benign or hostile, because hostile types have strong incentives to misrepresent their true intentions (Copeland, 2000; Mearsheimer, 1990; 2001; Layne, 1993; Montgomery, 2006; Edelstein, 2002). Because they will be more powerful in the future, hostile rising states have good reason to wait until the power shift is complete before they attempt revision of the international order, rather than attempting immediate revision while they are still relatively weak, and constraints over their actions are still relatively high. Moreover, in order to continue to rise and gain the power to achieve their preferred international order in the future, hostile types must avoid incurring preventive containment from the declining state, which would forestall their rise. Thus, even hostile risers have an incentive to cooperate with the declining state and support the status quo international order, in order to convince the decliner that their preferences are benign.

This incentive to misrepresent reduces the credibility of rising states' cooperative signals, because such behavior is likely to be exhibited by both benign and hostile types alike. As a result, declining states are often highly uncertain about any particular riser's future intentions for the international order. Uncertainty, in turn, creates a foreign policy dilemma for the declining state. On one hand, a policy of containment guards against the possibility of revision by a hostile riser, but risks costly and unnecessary conflict with rising states with benign intentions. On the other hand, a policy of accommodation conveys the benefits of cooperation

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[5]Jervis, 1978; Glaser, 1994; 1997; Kydd, 1997; 2005. On costly signaling in international relations more generally, see Fearon, 1997; Jervis, 1970.

in the short term, but risks harmful revision in the long term if the rising state is hostile.[6] Combined with the declining state's high vulnerability to future revision as its power wanes, this uncertainty intensifies the security dilemma and motivates the declining state to preventively oppose rising states that have exhibited cooperative behavior, increasing the likelihood of tragic conflict between states with truly compatible preferences.

The uncertainty produced by power shifts therefore hinders a declining state's ability to formulate a foreign policy toward rising states that does not carry high costs and/or risks. To overcome this uncertainty and formulate an optimal foreign policy, decliners must have a mechanism that mitigates the rising state's incentive to misrepresent, and makes its cooperative behavior a credible signal of its benign intentions. The next section presents a formal model that demonstrates that retrenchment constitutes just such a mechanism. By removing constraints over a rising state's immediate behavior in a particular region or issue area, retrenchment allows the declining state to observe how the riser is likely to behave elsewhere once the power shift has removed constraints more broadly in the future. The model also indicates the conditions under which retrenchment is most effective for eliciting credible signals and most likely to be adopted by the declining state, which will be discussed in the following section.

3.4   The Retrenchment Game

The retrenchment game is similar to the power shift game from the previous chapter, but differs in several important respects. Most fundamentally, retrenchment

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[6]A third possibility, a hedging strategy that mixes the two simply retains both types of risk in moderated form.

is simulated by adding a move at the outset of the game in which the declining state can choose to lower its share of power in the first round of the game, without directly affecting the second-round distribution of power. In addition, the retrenchment game allows the rising and declining states to place different weights on the first-round outcome, in order to simulate a scenario in which the international order in a particular region is more valuable to the riser than it is to the decliner. This creates conditions under which the decliner might have a rational incentive to risk sacrificing the regional order through retrenchment in order to gain information about the riser's future intentions.

Because these modifications add complexity to an already complex model, the retrenchment game also simplifies several other aspects of the power shift game that are less essential for examining the effects of retrenchment. However, each of these assumptions serves to mitigate the declining state's incentives for retrenchment. Thus, if retrenchment occurs in equilibrium under these "hard" conditions, it is even more likely to occur in reality, when these simplifying assumptions are relaxed.

First, in the power shift game the sequence of moves in the first round is repeated in the second round, with the riser choosing a degree of revision and the decliner choosing to oppose or acquiesce. In contrast, the retrenchment game simplifies the second round so that the actors make no additional choices: instead, they automatically reach a negotiated outcome over the shape of the international order based on the disparity in their preferences and the second-round distribution of power. This assumption eliminates the possibility that costly conflict will occur in the second round if the riser is hostile, thereby diminishing the potential future costs faced by the decliner if it allows the riser to grow unchecked. Dampening the risks to the decliner in the future, in turn, makes the informa-

tion from retrenchment less valuable, because the costs of adopting a suboptimal foreign policy during the power shift are lower than if conflict were a possibility. Thus, the simplification of the second-round strategies reduces the decliner's incentive to retrench, which should increase our confidence in results that show that retrenchment occurs despite this simplifying assumption.

Second, contrary to the existing retrenchment debate, in the retrenchment game the decliner gets no inherent benefit from withdrawing from commitments and reallocating those resources to other endeavors. This assumption is useful because it isolates the incentives for retrenchment as a source of information from alternative incentives for retrenchment as a means of marshalling resources more efficiently. However, it also creates a "hard test" for retrenchment - if retrenchment occurs in the model it is due to informational incentives only. The litany of other widely-cited benefits of retrenchment for states in decline means that retrenchment is likely a rational to a greater extent and under a far broader range of conditions in the real world than it is in the model.

Finally, it is worth reemphasizing that in the retrenchment game, as in the power shift game, the size of the power shift is assumed to be exogenous to the outcome of the regional order. Thus, even a radical revision of the regional order by the riser does not change its power trajectory. Rather, the size of the power shift is endogenous only to the declining state's degree of preventive opposition, and is otherwise assumed to be determined by exogenous factors internal to the state. Unlike the other simplifications just outlined, the assumption that retrenchment cannot exacerbate the general power shift potentially increases the decliner's incentive to retrench. However, because relaxing it would unnecessarily complicate the model without yielding any surprising results, I instead acknowledge here that

retrenchment is unlikely to be a viable strategy for the decliner if revision of the regional order significantly enhanced the rising state's power trajectory.

3.4.1   Structure of the game

I model retrenchment as a two-round game with two actors, a rising state, RS, and a declining state, DS. In each round, there is an asset at stake, the value of which is 1 in the second round and α_i in the first round, where $i \in \{RS, DS\}$ and $\alpha \in [0, 1]$. The asset at stake in the first round represents the shape of the international order in a particular region, whereas the asset at stake in the second round represents the broader, global international order. Thus, although the global order is equally valuable to the actors, the regional order can be asymmetrically more valuable to the rising state.

The compatibility of the actors' preferences is represented as the gain, g, that RS gets from revising the international order to perfectly fit its own preferences. DS is perfectly satisfied with the status quo international order, which is normalized to 0. Control over the international order is zero-sum, such that any revision toward g gives RS positive utility, and gives DS equal and opposite negative utility. Thus, the larger g is, the less compatible the actors' preferences are. Preferences are constant across both rounds.

The game contains several other exogenous parameters, each of which is common knowledge. The distribution of power is expressed as P, the probability that RS wins a conflict if one occurs (the probability that DS would win is $1 - P$). The distribution of power in the first round, P_1, is projected to increase in the second round by a factor of $\Delta \geq 1$, such that the riser's relative power in the second

round, P_2, would be ΔP_1. There is also a cost of conflict, C, which is constant across both actors and both rounds of the game.

The extensive form of the retrenchment game is illustrated in Figure 1. The game begins with DS choosing some degree of retrenchment from the region of interest, $w \in [1, \frac{1}{P_1}]$, which is multiplied by P_1 to determine the regional distribution of power in the first round. When $w = 1$, DS maintains its full capacity to defend the regional order, whereas higher values of w correspond to greater withdrawal of its regional capabilities and increase the likelihood that RS will win a first-round conflict. RS observes w, then attempts some degree of revision, r, to the regional international order. Small values of r send a cooperative signal, $\underline{r}$, whereas large values of r send a non-cooperative signal, $\overline{r}$. Let the threshold of r above which $\overline{r}$ is sent and below which $\underline{r}$ is sent be designated r^*.[7] RS can either attempt to revise the regional order to its ideal point, $r = g$, or it can attempt a smaller degree of revision short of its ideal point, $r = \frac{r^*}{2}$. After observing the riser's signal, DS either opposes the rising state (O), or acquiesces to it (A). If DS plays A, then the revision is successful, resulting in payoffs of $r\alpha_{\mathrm{RS}}$ for RS and $-r\alpha_{\mathrm{DS}}$ for DS. If DS plays O then a conflict occurs, the expected payoffs of which are $wP_1r\alpha_{\mathrm{RS}} - C$ for RS and $-wP_1r\alpha_{\mathrm{DS}} - C$ for DS.

[FIGURE 1 ABOUT HERE]

At the outset of the game, the rising state's share of the distribution of power is projected to increase from the first round to the second round. However, the magnitude of that increase depends on the declining state's first-round action. If DS plays A in the first round, then $P_2 = \Delta P_1$. However, if DS plays O in the

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[7] r^* is defined as the maximum value of g under which DS would not oppose RS under complete information and in the absence of retrenchment. Mathematically, $r^* = \frac{C}{(1-P_1)\alpha_{\mathrm{DS}}+P_{2|\mathrm{A}}-P_{2|\mathrm{O}}}$.

first round, the magnitude of the power shift is halved, such that P_2 is equal to $\frac{1}{2}P_1 + \frac{1}{2}\Delta P_1$. Thus, the declining state is able to reduce the power shift through a preventive strategy, but unable to completely eliminate it. Let ΔP_1 be represented as $P_2|\text{A}$, and $\frac{1}{2}P_1 + \frac{1}{2}\Delta P_1$ as $P_2|\text{O}$. Both $P_2|\text{A}$ and $P_2|\text{O}$ are common knowledge at the outset of the game, in that the actors agree about the change in the distribution of power from the first round to the second, conditional on the declining state's strategy.

The outcome of the second round, after the power shift is complete, follows automatically from the actors' first round strategies. Instead of choosing how much to revise the global order and whether or not to oppose that revision, respectively, the riser and decliner reach a negotiated outcome based on the divergence in their preferences and the second round distribution of power. The second-round payoffs are $P_2 g$ for RS, and $-P_2 g$ for DS. Thus, there is no possibility of conflict in the second round, and the second round distribution of power determines each side's relative bargaining leverage, rather than the probability of winning a conflict.

Finally, the retrenchment game involves one-sided incomplete information: the declining state is uncertain about the rising state's preferences for the international order, but the rising state is completely informed about the declining state's. This is manifested by RS observing the exact value of g, while DS only has a probabilistic belief, B, about the value of g. The declining state's beliefs are expressed as the range of possible values of g. B represents the upper bound of that range, i.e., the maximum degree of incompatibility that DS believes is possible. The lower bound is 0, i.e., perfect compatibility between the rising and declining state's preferences. Thus, lower values of B correspond to more optimistic beliefs that RS is compatible, while higher values of B correspond to more pessimistic beliefs that RS is

incompatible. g is uniformly distributed within the range $(0, B)$, such that every value of g between 0 and B is equally likely. The declining state's prior beliefs are expressed as B_0, the value of B at the start of the game, which is common knowledge. Let the declining state's posterior belief, the value of B after observing cooperative signal $\underline{r}$, be expressed as B'.

3.4.2 Equilibria of the Retrenchment Game

I characterize the equilibria of the retrenchment game using a perfect Bayesian equilibrium concept.[8] The game is solved by backward induction, first evaluating the decliner's decision to oppose or acquiesce, proceeding with the rising state's optimal degree of revision, and finally assessing the decliner's optimal degree of retrenchment.

By definition, DS always plays O in response to the rising state's non-cooperative signal, $\overline{r}$. On the other hand, if RS sends the cooperative signal, $\underline{r}$, the decliner's response depends on its posterior belief about the riser's preferences, B'. Let $\frac{2C-(1-wP_1)r^*\alpha_{\mathrm{DS}}}{P_2|_\mathrm{A}-P_2|_\mathrm{O}}$, the threshold of B' above which DS preventively opposes cooperative risers and below which it accommodates them, be designated B^*.

For any given degree of retrenchment by the declining state, there are six first-round equilibria: three when the size of the degree of retrenchment, w, is relatively small, and three when w is relatively large. Under large projected power shifts, a small degree of retrenchment provides insufficient information about the riser's type to overcome the declining state's preventive motivation. When w is below

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[8] A perfect Bayesian equilibrium requires that each actor's strategies are best responses to each other at all decision nodes given their beliefs, which must be derived using Bayes' rule. See Fudenberg and Tirole, 1991.

a particular threshold, W, B' would remain greater than B^* in the absence of prevention. Yet this posterior belief would prompt DS to play O in response to A - i.e., to exert a full preventive response toward cooperative risers - and therefore cannot be in equilibrium. Instead, as the previous chapter demonstrated, the only equilibrium when $w < W$ is a mixed strategy in which DS randomly plays O with probability $\pi \in (0, 1)$ and A with probability $(1 - \pi)$. Thus, π represents an intermediate degree of preventive opposition toward cooperative risers.

For this mixed strategy equilibrium to occur, DS must be indifferent between playing O and A - i.e., B' must be equal to B^*. The previous chapter further demonstrated that the decliner's preventive response itself acts as a screening mechanism that increases the credibility of the riser's cooperative signals. In equilibrium, therefore, π takes on a value, π^*, that induces behavior from RS that causes DS to form posterior belief $B' = B^*$.[9]

This best-response by DS produces the following equilibrium strategies for RS when $w < W$. The rising state's behavior depends on g, the degree of incompatibility between its preferences and the decliner's. If $g < r^* \equiv \frac{C}{(1-P_1)\alpha_{\mathrm{DS}} + P_{2|\mathrm{A}} - P_{2|\mathrm{O}}}$, then RS is a highly compatible type: in the absence of retrenchment, DS would prefer not to oppose even if RS attempted immediate revision to its ideal point and DS were completely informed of its preferences. When $g < r^*$, RS plays $r = g$, revising the regional order to its ideal point but still sending cooperative signal $\underline{r}$. In contrast, when $r^* < g < B^*$, RS is sufficiently incompatible that revision to its ideal point would send the non-cooperative signal $\bar{r}$, which would incur full opposition from DS. However, the decliner's degree of preventive opposition in response to cooperative signals (π^*) is low enough that RS prefers to misrepresent

[9]It is important to note that this preventive screening mechanism is not directly related to retrenchment. As such, in the discussion of the effects of retrenchment on the credibility of cooperative signals below, the effects of prevention are omitted.

its true preferences by playing $r = \frac{r^*}{2}$ and sending cooperative signal $\underline{r}$, rather than playing $r = g$.

Finally, when $g > B^*$, RS is sufficiently incompatible that it prefers to attempt immediate revision to its ideal point and incur full opposition, rather than incurring partial opposition π^* while forgoing immediate revision. Therefore, for all $g > B^*$, RS plays $r = g$ when $w < W$, sending non-cooperative signal $\overline{r}$. Because RS sends signal $\underline{r}$ for all $g < B^*$, observation of $\overline{r}$ allows DS to eliminate all values of $g > B^*$, making B^* the maximum possible value of g and producing posterior belief $B' = B^*$.

In sum, the retrenchment game yields the following equilibria under low levels of retrenchment. When $g > B^*$, RS revises to g which sends signal $\overline{r}$, DS responds by playing O, and the expected first-round payoffs are $wP_1 g\alpha_{\mathrm{RS}} - C$ for RS and $-wP_1 g\alpha_{\mathrm{DS}} - C$ for DS. When $r^* < g < B^*$, RS plays $\frac{r^*}{2}$ which sends signal $\underline{r}$, DS responds by playing O with probability π^* and A with probability $(1 - \pi^*)$, and the expected first-round payoffs are $\pi^* \left(wP_1 \frac{r^*}{2} \alpha_{\mathrm{RS}} - C \right) + (1 - \pi^*) \frac{r^*}{2} \alpha_{\mathrm{RS}}$ for RS and $-\pi^* \left(wP_1 \frac{r^*}{2} \alpha_{\mathrm{DS}} + C \right) - (1 - \pi) \frac{r^*}{2} \alpha_{\mathrm{DS}}$ for DS. Finally, when $g \leq r^*$, RS revises to g which sends signal $\underline{r}$, DS responds by playing O with probability π^* and A with probability $(1 - \pi^*)$, and the expected first-round payoffs are $\pi^* \left(wP_1 g\alpha_{\mathrm{RS}} - C \right) + (1 - \pi^*) g\alpha_{\mathrm{RS}}$ for RS and $-\pi^* \left(wP_1 g\alpha_{\mathrm{DS}} + C \right) - (1 - \pi^*) g\alpha_{\mathrm{DS}}$ for DS. When DS plays O in the first round, the second round payoffs are $gP_2|\mathrm{O}$ for RS and $-gP_2|\mathrm{O}$ for DS, and when DS plays A in the first round, the second round payoffs are $gP_2|\mathrm{A}$ for RS and $-gP_2|\mathrm{A}$ for DS.

A different set of three equilibria emerge under a high degree of retrenchment. When $w > W$, the riser's cooperative signals are sufficiently credible - and the decliner's regional capabilities sufficiently low - that DS always plays A in response

to signal $\underline{r}$ and O in response to signal $\bar{r}$. As was the case when $w < W$, RS is sufficiently compatible when $g < r^*$ that it can revise the regional order to its ideal point while still sending cooperative signal $\underline{r}$. In response, DS plays A, yielding first-round payoffs of $g\alpha_{\mathrm{RS}}$ for RS and $-g\alpha_{\mathrm{DS}}$ for DS, and second-round payoffs of $gP_2|_\mathrm{A}$ for RS and $-gP_2|_\mathrm{A}$ for DS.

However, under a high degree of retrenchment, the absence of preventive opposition in response to cooperative signals changes the rising state's threshold for attempting immediate revision of the regional order from B^* when $w < W$ to $\frac{C+\frac{r^*}{2}\alpha_{\mathrm{RS}}}{wP_1\alpha_{\mathrm{RS}}+P_2|_\mathrm{O}-P_2|_\mathrm{A}}$ when $w > W$. Let $\frac{C+\frac{r^*}{2}\alpha_{\mathrm{RS}}}{wP_1\alpha_{\mathrm{RS}}+P_2|_\mathrm{O}-P_2|_\mathrm{A}}$ be designated g^*. For all $g > g^*$, RS plays $r = g$, which sends non-cooperative signal $\bar{r}$. DS plays O in response, yielding expected first-round payoffs of $wP_1g\alpha_{\mathrm{RS}} - C$ for RS and $-wP_1g\alpha_{\mathrm{DS}} - C$ for DS, and second-round payoffs of $gP_2|_\mathrm{O}$ for RS and $-gP_2|_\mathrm{O}$ for DS.

Finally, when $r^* < g < g^*$, RS misrepresents its preferences by playing $\frac{r^*}{2}$ and sending cooperative signal $\underline{r}$. In response, DS plays A, yielding first-round payoffs of $\frac{r^*}{2}\alpha_{\mathrm{RS}}$ for RS and $-\frac{r^*}{2}\alpha_{\mathrm{DS}}$ for DS, and second-round payoffs of $gP_2|_\mathrm{A}$ for RS and $-gP_2|_\mathrm{A}$ for DS. Because RS sends signal $\bar{r}$ whenever $g > g^*$, observation of signal $\underline{r}$ allows DS to eliminate the possibility that $g > g^*$, such that g^* is the maximum possible value of g. Thus, by definition, DS holds posterior belief $B' = g^*$ in response to cooperative signals when $w > W$.

The final component of the retrenchment game's equilibrium is the declining state's initial move, choosing a degree of retrenchment, w. Let U_{DS} be the declining state's expected payoff function for the first and second rounds combined. The declining state's optimal degree of retrenchment, w^*, is the value of w that maximizes U_{DS} (see appendix).

3.5 The Logic of the Retrenchment Game

The retrenchment game yields several hypotheses regarding the effects of retrenchment and the conditions under which it is most beneficial. Retrenchment involves a tradeoff for the declining state: on the one hand, it provides valuable information about the rising state's intentions that allows the decliner to avoid unnecessary costs of conflict with benign risers, while opposing hostile risers to minimize their ability to revise the global international order in the future. On the other hand, retrenchment requires the declining state to withdraw its power from a particular region in the present, risking revision to the regional international order if the rising state is hostile. Thus, whether retrenchment occurs depends on the value of the information that it provides relative to the value of the regional order to the declining state. This section discusses the logic of the retrenchment game concerning how retrenchment increases the credibility of rising states' cooperative signals, and how projected power shifts increase the value of those signals.

One important note is in order before proceeding. In addition to its direct effect increasing the credibility of rising states' signals, retrenchment also indirectly *reduces* the credibility these signals by reducing the declining state's incentive to act preventively. Because prevention is itself a screening mechanism that increases the credibility of cooperative signals, the reduction in preventive conflict that results from retrenchment can indirectly cause the credibility of the riser's signals to decrease. However, the scope of this chapter is limited to examining how the information produced by retrenchment affects the degree of prevention as an outcome, not how prevention then feeds back on the intervening signaling mechanism, which was the subject of the previous chapter. It is therefore essential to isolate the direct effect of retrenchment on the credibility of the riser's signals from its

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indirect effect on these signals *via* prevention. As such, all results presented below regarding the effects of retrenchment on the credibility of signals artificially assume a constant degree of prevention by the decliner, even if that is not the decliner's equilibrium strategy. This assumption is then relaxed when presenting the results regarding the effects of retrenchment on the decliner's degree of prevention, and the factors that affect the decliner's incentive to retrench.

3.5.1 The Effects of Retrenchment as a Screening Mechanism

Retrenchment increases the credibility of the rising state's cooperative signals by removing constraints over its actions in the region of interest. This makes the incentives it faces in the present more similar to the incentives it will face in the future - when the completion of the power shift will have removed constraints over its behavior more generally - and allows the declining state to more confidently infer the riser's future intentions from its current behavior.

Hostile risers face countervailing incentives about whether to attempt revision to the regional order in the first round. On one hand, they get inherent benefits from immediate revision, because if successful they get to enjoy their preferred regional order, instead of having to suffer under a status quo order they find objectionable for the duration of the power shift. On the other hand, immediate revision will reveal to the declining state with certainty that the rising state is hostile, and prompt it to fully oppose the riser in response. This imposes two sets of costs on the rising state. First, opposition partially forestalls the power shift, thereby inhibiting the rising state's ability to successfully revise the global

international order in the future. This is manifested in the model as a reduction in the riser's second-round power level from $P_{2|A}$ to $P_{2|O}$. Second, opposition results in an immediate conflict that entails a direct cost (C), and reduces the likelihood that the riser's revision of the regional order will be successful from 1 to P_1.

Retrenchment increases the incentive for hostile risers to attempt immediate revision by reducing the latter set of costs. In the absence of retrenchment, the declining state's presence severely reduces the likelihood that attempted revision will be successful, giving the rising state a strong incentive to delay its revision until the power shift is complete. However, the declining state's withdrawal of its regional power early in the power shift impairs its ability to directly oppose the riser, and increases the likelihood that the rising state's revision will be successful, if attempted. As the degree of retrenchment (w) increases, the rising state's likelihood of successful revision approaches 1, even in the decliner were to subsequently exert full opposition. This increases the incentive for hostile risers to attempt to realize their preferred regional order immediately, instead of foregoing the benefits of that order while waiting for completion of the power shift.[10] The effect of retrenchment in reducing the riser's incentive to misrepresent is shown in Figure 2 (assuming a constant degree of prevention).

[FIGURE 2 ABOUT HERE]

Hypothesis 1 *The rising state's incentive to misrepresent decreases with the declining state's degree of regional retrenchment, thereby increasing the likelihood of immediate revision by hostile rising states.*

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[10]Although the declining state can still impose costs on revisionist risers even after retrenchment by adopting a more general strategy of preventive containment (e.g., economic sanctions, balancing alliances, arms buildups, etc.) these costs are likely to be delayed, indirect, and less vital to the riser than the costs of direct intervention.

By reducing the incentive for hostile risers to misrepresent, retrenchment increases the credibility of cooperative behavior as a signal of benign intentions, as shown in Figure 3 (assuming a constant degree of prevention). In contrast to hostile types, benign rising states have no incentive to attempt revision. Because they are already quite satisfied with the status quo international order, benign types get negative inherent payoffs from revision of either the regional or global orders, in addition to the costs of opposition. Thus, they always cooperate, no matter how likely revision is to be successful. As more hostile types respond to retrenchment by abandoning cooperation in favor of immediate revision, it becomes increasingly likely that cooperative risers are truly benign types, rather than misrepresenting hostile types. Retrenchment therefore simultaneously induces hostile types to reveal their true intentions, while allowing the decliner to confidently update its beliefs in response to cooperative signals.

[FIGURE 3 ABOUT HERE]

Hypothesis 2 *The credibility of a rising state's cooperative signals increases with the declining state's degree of retrenchment.*

These effects of retrenchment, in turn, yield two additional hypotheses. First, Figure 4 shows that retrenchment reduces the decliner's preventive motivation, such that larger power shifts are required for prevention to occur at all and the optimal degree of prevention is lower than it would be in the absence of retrenchment. As retrenchment increases the credibility of the rising state's cooperative signals, it reduces the declining state's uncertainty about the rising state's intentions - the declining state becomes increasingly confident that cooperative risers are benign. As a result, the greater the degree of retrenchment, the lower the declining state's

incentive to preventively contain rising states that have exhibited cooperative behavior. Thus, retrenchment also decreases the severity of tragic conflict between rising and declining states with compatible preferences.

[FIGURE 4 ABOUT HERE]

Hypothesis 3 *The declining state's degree of opposition toward cooperative rising states decreases with its degree of retrenchment.*

Finally, Figure 5 shows that retrenchment allows the declining state to reduce its vulnerability to revision by hostile risers in the future (Figure 5 assumes a constant degree of prevention). Because benign rising states always behave cooperatively, non-cooperative behavior is always a fully credible signal that the sender is hostile. As retrenchment induces a greater proportion of hostile risers to reveal their intentions through regional revision, the declining state becomes more likely to fully contain truly hostile rising states, and less likely to accommodate or only partially contain them. Moreover, the hostile risers that avoid containment by continuing to misrepresent despite the removal of constraints are more compatible, on average, than those that misrepresent in the absence of retrenchment. Thus, a greater degree of retrenchment implies that hostile risers are more likely to be contained, and revisions by those that are not will be less harmful to the decliner.

[FIGURE 5 ABOUT HERE]

Hypothesis 4 *The probability that the declining state will oppose a hostile rising state (one that it would oppose with complete information) increases with its degree of retrenchment. Risers that are not opposed are more compatible, on average, under a higher degree of retrenchment.*

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3.5.2 Conditions that Affect the Utility of Retrenchment as a Screening Mechanism

Although retrenchment always provides a benefit to the declining state by increasing the credibility of riser's cooperative signals, the informational gains of retrenchment involve a tradeoff. In a vacuum, the declining state would retrench completely, because doing so provides the greatest informational benefit: removing all constraints over the rising state would allow the decliner to see precisely how the riser would behave in the absence of constraints in the future. However, by removing constraints over the riser's immediate behavior and inducing hostile types to attempt revision, the declining state risks sacrificing its preferred international order in the region of retrenchment if the rising state turns out to be hostile. Therefore, in order for the decliner to adopt a retrenchment strategy, the informational benefits of retrenchment must outweigh the risk of immediate regional revision.

The net benefits of retrenchment are higher under some conditions than others. All else equal, the declining state's incentive to retrench is a function of how much information retrenchment provides about the rising state's intentions, the impact of that information on the declining state's optimal foreign policy, and the cost to the decliner if the regional order were revised. Each of these factors, in turn, is affected by some combination of the size of the projected power shift, the timing of retrenchment, and the relative value of the regional order to both the declining and the rising states.

The size of the projected power shift

In the retrenchment game, the key factor motivating the declining state to retrench is Δ, the projected change in the distribution of power from the first round to the second. Figure 6 illustrates the effect of retrenchment on the decliner's payoffs for power shifts of three different sizes. As we would expect, larger power shifts reduce the decliner's expected utility. However, as the size of the power shift increases, retrenchment has an increasingly positive effect on the decliner's payoffs: the decliner's optimal degree of retrenchment, w^*, increases as we move from the small shift to the large shift.

[FIGURE 6 ABOUT HERE]

Power shifts foster an incentive for retrenchment by simultaneously increasing the value and decreasing the availability of the information that retrenchment provides about the rising state's future intentions. This information becomes more important as the size of the projected power shift increases because the decliner will become more vulnerable to revision by hostile risers in the future. It is therefore more important that the decliner be able to identify and oppose hostile types - otherwise, it faces an unpalatable choice between opposing all risers and absorbing the costs of unnecessary conflict with benign types, or acquiescing and allowing a high degree of unfavorable revision by hostile types in the future.

At the same time, large power shifts make the declining state more uncertain about rising states' future intentions. To see this, consider the rising state's incentive to misrepresent, first under a small projected power shift and then under a large one. Under a small power shift (i.e., when Δ is small), the rising state will face similar constraints in the second round that it does in the first. As a result,

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the riser's behavior is unlikely to change in the future, regardless of its underlying preferences for the international order. Therefore, under a small power shift the decliner holds confident beliefs that a riser that cooperates today will continue to do so in the future, even if the decliner is highly uncertain about that riser's inherent preferences.

In contrast, under a large power shift (high value of Δ), the rising state's cooperative behavior is far less credible as a signal of its future intentions. Power shifts increase the incentive for hostile risers to misrepresent their true preferences by sending cooperative signals. The more power the riser is projected to gain in the future, the more it stands to lose by incurring opposition in the present (i.e., the difference between $P_{2|A}$ and $P_{2|O}$ increases). All else equal, the larger the power shift, the greater the incentive for hostile risers to avoid opposition in order to maximize their power to achieve revision in the second round. Under a large power shift, hostile risers that would have revealed their intentions under a small power shift by attempting revision instead "pool" with benign types by behaving cooperatively. This decreases the credibility of cooperative behavior as a signal of benign intentions, because such behavior is likely to be exhibited by hostile types as well as benign ones. The decliner is therefore more uncertain about the future intentions of cooperative rising states under large power shifts.

In sum, the decreasing availability of information about the riser's intentions as the projected power shift increases is coupled with an increase in the value of that information, as it becomes more imperative that the decliner not allow hostile risers to grow unimpeded. The decliner's growing uncertainty under larger power shifts results in either an increase in the degree of future revision by hostile risers if the decliner acquiesces, an increase in costly conflict with benign risers if the

decliner acts preventively, or a combination of these two undesirable outcomes.

Thus, large power shifts increase the decliner's incentive to adopt a retrenchment strategy, in order to alleviate its uncertainty and enable it to oppose truly hostile risers while avoiding tragic conflict with benign ones. Although retrenchment increases the risk of immediate revision if the rising state is hostile, it also increases the credibility of cooperative signals and induces hostile types to reveal themselves through early revision. Therefore, as the costs of uncertainty increase with the size of the power shift, the value of the information retrenchment provides about the riser's intentions becomes more likely to outweigh the risks of regional revision.

Hypothesis 5 *The declining state's optimal degree of retrenchment increases with the size of the projected power shift.*

The value of early retrenchment

Figure 7 shows that retrenchment has the greatest impact on the credibility of cooperative signals when it is adopted early in the power shift (assuming a constant degree of prevention). The more power the rising state has already gained, the more likely its revision is to be successful. Because the decliner's capacity to constrain the riser are already low, its further removal of those constraints has less of an effect on the riser's decision calculus. Furthermore, since the riser has already realized a large proportion of its projected power gains, it has less to gain in the future and thus less of an incentive to misrepresent. Thus, late in the power shift, when the riser's incentive to misrepresent is already relatively low, retrenchment adds comparatively little information about its intentions.

On the other hand, if retrenchment is adopted early in the shift, when the riser is at its weakest, then the decliner's removal of constraints has a much larger effect on the rising state's calculus. In the absence of retrenchment, the riser faces long odds at successful revision in the present. Since its capacity to constrain the riser's behavior is so great, the decliner's removal of those constraints has a high marginal impact on the riser's probability of successful revision, and therefore is more likely to induce hostile risers to reveal themselves. Since the riser also has a high incentive to misrepresent early in the shift, its cooperative signals are initially highly non-credible, meaning that retrenchment has a greater potential to provide informational benefits to the decliner. Thus, the earlier in the power shift it is adopted, the more it reduces the rising state's incentive to misrepresent, and increases the credibility of its signals.

[FIGURE 7 ABOUT HERE]

Correspondingly, Figure 8 shows that w^*, the decliner's optimal degree of retrenchment, decreases as the power shift progresses and the rising state's current power level increases. In addition to being more informative, early retrenchment is more valuable to the declining state because the earlier it acquires information about the riser's type, the greater the effect to which it can use that information to formulate a more optimal foreign policy toward the riser. If the riser is benign, earlier retrenchment potentially allows the decliner to avoid the unnecessary costs of a containment strategy to hedge against the possibility that the riser is hostile. On the other hand, if the riser is hostile, earlier retrenchment is likely to reveal its true type, and allow the decliner to contain its growth before the riser has gained very much power. In contrast, late retrenchment is less valuable, because it only allows the decliner to adopt a more optimal policy for a shorter duration over the

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remaining portion of the power shift.

Hypothesis 6 *The earlier in the power shift that retrenchment is adopted - i.e., the lower the rising state's present power level - the greater the impact of the declining states retrenchment on the credibility of the rising state's cooperative signals, and on the decliner's subsequent foreign policy.*

The relative value of the regional order

Finally, the efficacy of retrenchment as a screening mechanism depends on the value of the regional order to both the rising and declining states. It is easy to see why the regional order must be of some minimum value to the rising state for its cooperative signals to be credible. If the regional order is of little or no value to the riser, then hostile types have no incentive to attempt revision and incur the costs of more general opposition that would curtail the riser's future power gains and reduce its capacity to achieve more important revisions elsewhere. Continued cooperation, even under low immediate constraints, would therefore not be a very costly signal, and would fail to distinguish benign from hostile types. Figure 9 shows that the higher the value of the region to the rising state, the smaller the degree of retrenchment necessary to increase the credibility of cooperative signals.

Hypothesis 7 *The effect of regional retrenchment on the credibility of a rising state's cooperative signals increases with the value of the region to the rising state.*

Furthermore, the declining state is more likely to retrench from a region that is of relatively low value to itself. Because retrenchment increases the likelihood of revision by a hostile rising state, the decliner will be reluctant to withdraw their power from a region it values highly. On the other hand, if the region is relatively unimportant to the decliner, it is much more likely that the informational benefits of retrenchment will outweigh the risk of revision. Figure 10 shows that the optimal degree of retrenchment, w^*, decreases as the shape of the regional order becomes more valuable to the decliner.

[FIGURE 10 ABOUT HERE]

Hypothesis 8 *The declining state's likelihood of retrenchment from a region decreases with the value of that region to itself.*

Hypotheses 7 and 8 suggest that in order to elicit informative signals without incurring prohibitive risks, the declining state must retrench from regions that are highly valuable to the rising state, but of relatively low value to itself. Therefore, combining these propositions yields the following corollary:

Corollary 14 *Retrenchment is most likely to occur in regions that are of asymmetrically high value to the rising state, and asymmetrically low value to the declining state.*

3.6 Illustrative Case Study: British Retrenchment and Anglo-American Rapprochement, 1889-1904

The hypotheses of the retrenchment game concerning how and when retrenchment can be used as a screening mechanism are illustrated by British decline vis-a- vis the United States in the late at the turn of the 20th century. As the retrenchment game predicts, Britain retrenched early in the power shift, shortly after its leaders recognized they were in relative decline. Furthermore, retrenchment precipitated a radical change in British beliefs about American intentions. Cooperative behavior by the United States in Asia and Latin America became credible signals to British leaders of benign US intentions, who had previously dismissed US cooperation as cheap talk. However, although this case supports the hypotheses of the retrenchment game, it is intended merely as a plausibility probe, rather than a definitive test of the theory against potential alternatives. The hypotheses of the retrenchment game will be fleshed out more thoroughly in Chapter 4 using the case US retrenchment from Eastern Europe and the origins of the Cold War with the Soviet Union.

3.6.1 British Decline and Prior Beliefs

Throughout the second half of the 19th century, Britain maintained a liberal international economic order, characterized by the "Open Door": low barriers to trade and non-discriminatory access to markets.[11] The London *Spectator* explained in

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[11]Britain's preference for this liberal economic order derived from its highly competitive - and adaptable - manufacturing sectors, and its dominance in services (shipping, insurance and finance), which depended not only on British trade, but overall global commerce, which was carried in British ships, insured by British firms, and funded by British capital (Cain and Hopkins, 1993; Steele, 1987, p. 29; Porter, 1983, pp. 16, 41-46).

1898 that "high duties are not inconsistent with the open door. What the open door means is that traders of all nationalities shall have equal opportunities, not that there should be absolute freedom of trade." Prime Minister Arthur Balfour confirmed that the "sole object" of the Open Door in China "was to insist that the policy of the Chinese government shall not be directed towards discouragement of foreign trade" (Allen, pp. 584-6). In addition, Britain had consistently maintained a policy of unilateral free trade, and accepted asymmetric trade agreements with other states to induce them to lower moderate their tariff levels (Stein, 1984). British Governments resisted subsidizing national firms or intervening abroad on their behalf, except for the purpose of "open communication, freedom of trade from tariffs and other restrictions, and accessibility to markets" (Ramm, p. 86). Furthermore, because Britain was very sensitive to the threat of commercial disruption posed by large-scale war, it cultivated norms and institutions against war or conquest. Britain sought to maintain stability among great powers by sponsoring a system of offsetting alliances while maintaining a "free hand" to intervene if necessary to reinstate a balance of power, and was willing to intervene in the non-European world to maintain political (and thus economic) stability (Bourne, 1970, pp. 106-126, 369; Kennedy, 1981, pp. 24-27).

As British leaders gradually became aware of the depth and intractability of Britain's relative decline, they became increasingly concerned about the future intentions of rising states, including the US. The first serious indications of British decline emerged in the mid-1880s, as repeated economic downturns slowed growth and the rapid industrialization and increasing competitiveness of the US and Continental Europe eroded Britain's dominance in exports. In 1885, a commission appointed by the Government to analyze Britain's economic decline held that foreign competition was hurting demand in the home market and cutting into traditional

British markets in Asia and Africa: even "in neutral markets, such as our own colonies...we are beginning to feel the effects of foreign competition in quarters where our trade formerly enjoyed a practical monopoly...we cannot, perhaps, hope to maintain...the lead we formerly held among the manufacturing nations of the world...our supremacy is now being assailed on all sides" (quoted in Friedberg, 1988, pp. 39-40). By the 1890s, both the Conservative and Liberal parties recognized Britain's relative economic decline, prompting some conservative leaders to advocate retaliatory tariffs and a move toward an imperial preference system to forestall what it saw as deeply-ingrained decline, in spite of widespread opposition from the British electorate.[12]

The rise of the United States was particularly pronounced. Between 1880 and 1900, the US share of international commerce steadily rose, particularly in manufactured goods, while Britain's fell. The US surpassed Britain as the world's largest manufacturer and producer of coal and steel in the mid-1880s, and continued to grow at a rate three times as fast as Britain until WWI.[13] In 1896, British leaders were aware that the US, along with Germany, was "travelling upwards more rapidly than we" and were "certain to increase their rate of upward movement" (Friedberg, 1988, pp. 26, 49). Furthermore, the US was projected to rapidly convert its rising economic power into military power, beginning a naval buildup in 1889 that jeopardized the global maritime supremacy on which British economic and territorial security was based, and which was a major strategic concern for

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[12]See Friedberg, 1988, Chapter 2; Thompson, 2000, Chapter 4; Kennedy, 1983, pp. 17-25, 92-7. When Chamberlain and Balfour finally campaigned publicly to replace unilateral free trade with imperial preference, citing Britain's relative decline, they were punished with a landslide defeat in 1906.

[13]From 1870 to the mid-1890s, Britain's share of world manufacturing fell from 32% to 20%, while that of the US rose from 23% to 30%. Britain's economic growth rate in the 1880s and 1890s is estimated at less than 2%, while the US is estimated to have grown at around 5% during that period. The British Board of Trade estimated that US exports had risen 35% to Britain's 8% between 1875 and 1885, and 26% to 10 % from 1885 to 1892 (Friedberg, 1988, pp. 24-26, 41-47; Kennedy, 1980, pp. 291-294).

British planners (Rock, 1989, p. 30; Bourne, 1967, p. 337; Orde, p. 34). A report by the Navy concluded that the "naval policy of the United States tends in the direction of a considerable increase in strength," which would necessitate reinforcement of British bases in the Western Hemisphere. From 1895-1899, British naval assessments recognized that because "the United States mean to be the greatest naval power along their eastern coast," the US would "set about strengthening her navy" and that this "will be difficult to prevent" (Friedberg, 1988, pp. 162-164).

British leaders were initially quite pessimistic about US preferences for the international order in the 1890s, owing to the long history of Anglo-American antagonism throughout the 19th century. Britain had feared rising US power on a global scale since the 1820s, leading to a sustained rivalry for political and economic influence in Latin America (Rippy, 1929, pp. 71-115; Platt, 1972, pp. 24-28). In the 1840s-50s, the US and Britain nearly went to war over several territorial disputes on the US-Canada border, and over influence in Texas and Mexico (Bourne, 1967, pp. 135-196; ED Adams, 1958; W. Jones, 1958, pp. 35-92). During the American Civil War Britain very nearly intervened on behalf of the South in order to divide the US and ensure a balance of power in North America (Bourne, 1967, pp. 215-244; see also Allen, pp. 423-77; H. Jones, 1992; Thompson, 2007).

This tension persisted into the 1890s, despite relatively placid Anglo-American relations and generally cooperative US behavior in the interim decades. During this period, the US never attempted territorial expansion or implemented exclusive, mercantilist economic policies in Latin America or East Asia, and was able to reach agreement with Britain on several prickly diplomatic disputes (Bourne, 1967, pp. 264-277; Allen, pp. 518-530). However, through the early 1890s these

cooperative signals gave British leaders little information about US preferences, because US behavior was highly constrained by Britain's naval power in the Western Hemisphere and the leverage it had over the US due to its global commercial superiority.

As a result, Anglo-American relations in the 1880s remained, according to Paul Kennedy, "ever sensitive" and "requir[ed] careful cultivation, if only to prevent a further worsening" (Kennedy, 1981, p. 95). British leaders were quite concerned in the 1890s about the "American invasion," i.e., economic penetration of US goods into British markets and the displacement of British capital by US investments (Perkins, pp. 124-6; Rock, 1989, pp. 44-46). The Admiralty and War Office viewed US naval expansion in the early 1890s as "absolutely antagonistic" and as late as the 1895 Venezuela Crisis, when the US invoked the Monroe Doctrine to prevent Britain from intervening in territorial dispute concerning its colony of Guiana, British Prime Minister Lord Salisbury said that "War with America... has become more than a possibility," and viewed the US threat as "more of a reality than the Russo-French coalition" (Bourne, 1967, pp. 339-43).

3.6.2   British Retrenchment, 1889-1899

Retrenchment is traditionally defined as the withdrawal of existing capabilities, in an absolute sense, in order to reallocate those resources elsewhere. By this definition, British retrenchment only began in 1901 - after Anglo-American rapprochement was already well under way - when Britain actually began to draw down its naval presence in the West and cede control of regional assets to the US. However, recall that with respect to the logic of the retrenchment game, retrenchment is more appropriately defined as any action taken by a declining state

that removes constraints over a rising state's behavior in a particular region. In that sense, British retrenchment from the Western Hemisphere began much earlier. Throughout the 1890s, as US economic and naval power in the Western Hemisphere grew, British leaders made the conscious choice to abstain from naval buildups in the region, rather than attempting to keep pace with the US and maintain their ability to defend the status quo regional order. By explicitly allowing the US to have a free hand in the Americas, Britain removed constraints over US behavior, and made subsequent US cooperation a meaningful signal of its benign intentions.

Although British leaders would eventually recognize that their retrenchment increased the credibility of American signals (see below), Britain's retrenchment was not initially intended as a screening mechanism. Instead, Britain refrained from regional naval competition with the United States because it faced more pressing security threats, involving more important assets, in other regions. Prior to 1900, British leaders saw the Franco-Russian combination as their main adversary, in which both members were expanding their military capacities while also industrializing and experiencing greater economic growth than Britain. France and Russia, along with an even faster growing Germany, potentially threatened the international orders in Asia, the Near East, the Mediterranean, and most importantly, the European continent itself (Bourne, 1970, pp. 145-51, 423-33; Grenville, pp. 150-76; Kennedy, 1981, p. 98). In contrast, although Britain had valuable commercial interests in Latin America, its Caribbean colonies had next to no commercial value, and an increasingly autonomous Canada was becoming less of an asset to Britain (Stewart, 1992; Martin, 1998). Britain was therefore loath to bear the high economic and military costs of competition with the US, which would divert much-needed resources from more vital commitments.

The British were aware that retaining control of the political order in the Western Hemisphere would require large increases in expenditures. In 1895, the Governor of Canada informed the Queen that growing US power meant that Britain must be "strong enough to confront not two navies, but three." By the end of 1896, British Navy planners acknowledged that they had lost superiority on the Pacific side of the continent, and that US forces could destroy the British base in Vancouver "in a few hours." The Army surmised that the only way to defend Canada from invasion would be offensive landings of British troops on US territory, which would require overwhelming naval dominance (Friedberg, 1988, pp. 162-163).

Nevertheless, British policymakers resisted any increases in deployments in the Western Hemisphere. The Navy dismissed military expenditures to keep pace with the US as unsustainable, as did civilian planners in the War Department: "If we include the United States amongst the Powers [whose military increases must be met], our Naval Estimates are likely to be a curiosity before we are much older." Britain elected not to intervene on the side of Spain in the Spanish-American War, resulting in US acquisition of Spanish bases in the Caribbean and the Philippines that greatly increased its naval power in both the Atlantic and Pacific. Finally, by 1898, British leaders had almost unanimously resigned themselves to US construction of the Panama Canal, which would effectively double US naval power in the region by allowing combination of its Atlantic and Pacific fleets (Friedberg, 1988, pp. 163-170; Perkins, pp. 48-50). Control of the canal would depend on local naval superiority, yet Britain still refused to increase its deployments in the region in the Caribbean and Pacific, allowing its squadrons to be "completely outclassed" there by 1899 (Marder, 1940, p. 351).

British retrenchment was also manifested in its behavior in disputes with the

United States. Due to Britain's loss of local superiority and it unwillingness to bear the costs of conflict with the US in the face of more proximate threats, Britain was quick to make concessions to the US that were incommensurate with the state's overall (as opposed to regional) power levels. In the 1895 Venezuela crisis, Britain grudgingly deferred to the Monroe Doctrine and submitted their territorial claim to arbitration by an international tribunal (Allen, 1955, pp. 534-540). In 1900, Britain again submitted to US demands, this time to abrogate British legal control over the Panama Canal so that the US could build it unilaterally (I. Adams, pp. 21-37; Perkins, pp. 176-185). On top of the decrease in Britain's regional capabilities, these actions credibly demonstrated that Britain would not "renege" on its retrenchment by reinserting its military forces into the region in times of crisis.

3.6.3   Cooperative US Signals, 1898-1904

The United States did in fact largely share British preferences for a liberal international economic order. Although the US maintained relatively restrictive tariffs on its home market, these tariffs were non-discriminatory, allowing foreign states equal access to the US market. Moreover, with the growing competitiveness of American export sectors in the 19th century, the US increasingly supported non-discriminatory trade abroad. With Britain opening its domestic market as a public good, the US could afford to free ride behind protection for its domestic industries, but as it supplanted Britain as a global economic leader, the US intended to support the same liberal economic order that Britain had maintained.[14]

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[14]Lake, 1988, Chapter 4. The private statements of US statesmen revealed that they actually did share Britain's preference for a liberal order. Roosevelt believed that Britain's preferences as "exactly ours in the Orient. . . [and] likely to remain so" (Adams, p. 201). In 1898 one senator characterized Britain and the US as having complementary "economic appetites": rather than

As a benign rising state, the US had no incentive to revise the international order, even in the absence of British constraints over its behavior. It therefore continued to refrain from revision, and even take positive actions in support of the status quo, even after achieving local superiority over Britain in the Western Hemisphere. US cooperation took several forms. Not only did the US uphold Britain's "open door" policies in Latin America and East Asia, it also demonstrated more general agreement with the status quo international order by supporting Britain in the Boer War and making concessions to Britain over the Panama Canal that it could have withheld at no immediate cost. Moreover, the US publicly expressed support for the status quo, encouraged continued British global leadership, and even began preliminary contributions to the maintenance of the liberal international order.

President Theodore Roosevelt made numerous statements committing the US to "open door" policies and reassuring Britain of the compatibility of US preferences. Although these statements are not costly (and therefore not credible signals) in themselves, they highlight the absence of revisionist actions by the United States in Latin America and East Asia, despite the opportunity to do so at low cost given British weakness in these regions. This restraint *does* constitute a credible signal, as the costs of forgoing revision would have been higher for a hostile US than they were for a benign one.

In 1901-02, Roosevelt encouraged British activities to promote stability and openness in Latin America, stating that "We do not guarantee any state against punishment...provided that punishment does not take the form of acquisition of

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fighting over "choice servings", they shared them, and protected them "from less polite diners" (Perkins, p. 73). Regarding the Boer War, Hay wrote that "British influence must be dominant [in South Africa], and the sooner the better." He and Roosevelt deemed Britain a "benevolent policeman" whose "influence on the world makes for peace and civilization" and kept "predatory" powers like Russia and Germany from "arrang[ing] things" (Allen, p. 591; Perkins, p. 93).

territory." Secretary of State John Hay likewise announced that the US "could not object to European powers taking steps to obtain redress," and the State Department declared that "South American states could not expect the US to shield them from retribution" (I. Adams, pp. 43-47, 64-5). Roosevelt later proclaimed that the US would continue Britain's policy of non-intervention in foreign markets, and intended only "to see neighboring countries stable, orderly and prosperous" (Orde, p. 34). He told King Edward that he held American and British interests to be "parallel", due to a "unity of interests in Latin America and the Far East," and expressed to the Foreign Office his belief that Britain and the US would have to act jointly in Asia "lest our interests be sacrificed" to the mercantilist policies of Germany, Russia and Japan (Perkins, p. 107; I. Adams, p. 194).

The US further demonstrated its support for the status quo in Latin America by inveighing against German revision while welcoming British actions there. Roosevelt called "the specter of German aggression" a "veritable nightmare," and surmised that "the only power which may be a menace to us in anything like the immediate future is Germany" (Rock, 1989, pp. 37-40). During the Second Venezuela Crisis of 1902, when a joint Anglo-German intervention prompted public outcry in the US, Germany was condemned in the US press while Britain was largely absolved. Britain's eventual submission to arbitration was received with great enthusiasm, prompting the New York Times to distinguish Britain from "those powers [i.e., Germany] who would not be unwilling to make a test of the efficiency of the Monroe Doctrine," and to later say of German actions, "worse...have rarely come under observation of civilized man" (Perkins, pp. 189-91; I. Adams, pp. 47-49).

The United States also signaled its preferences for Britain's liberal order through its open door policy in Asia. As early as 1898, the Senate Foreign Relations Com-

mittee declared that if American commercial rights were threatened by Russian expansion, the US would abandon isolation and align with Britain to defend them. That year, President McKinley told British Ambassador Julian Pauncefote that the US agreed with Britain that no nation should gain special privileges in China (Perkins, pp. 211-2).

The Open Door Notes, issued in 1899 and 1900, declared that all powers should adhere to non-interference in treaty ports and the universal application of Chinese duties. While the US did nothing to enforce the Open Door Notes, they constituted a costly signal of its preferences by tying its international reputation to its support of equal commercial access and Chinese sovereignty.[15] In contrast to Russia, Germany and Japan, which constantly sought territorial concessions and treaty ports, the US never competed for exclusive concessions or preferential arrangements. Instead, the US negotiated a free-trade treaty with China in 1903, and defended China's sovereignty by opposing territorial concessions to Russia following the Boxer Rebellion and advocating reductions of the indemnity to be imposed on China for that incident (I. Adams, pp. 165-186).

The United States further demonstrated its preference for continued British leadership of the international order more generally by offering diplomatic support to Britain in the Boer War from 1899-1902. Roosevelt told the British Military Attaché that "if the powers of Continental Europe menace your people" the US would "promptly give them notice of 'hands off'" (Allen, p. 594). While other European powers condemned British actions, supported the Boers covertly, and even plotted to intervene against Britain, the US acted as Britain's unofficial ally. American creditors were responsible for more than 20% of Britain's war debt,

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[15]These costs can be seen, for example, when Japan invoked the Open Door Notes to prevent the US from leasing a naval base in 1901. As in Latin America, US policies in China most clearly distinguished it as having liberal preferences.

and the US unofficially permitted military exports to the belligerents that resulted $100 million of war supplies for Britain but negligible matériel for the Boers. These obviously sympathetic American actions and conspicuous refusal to offer mediation or act in conjunction with other states to pressure Britain likely played a role in deterring intervention by other third parties on behalf of the Boers (Perkins, pp. 93-96).

American "benevolent neutrality" was a credible signal of benign US intentions toward Britain. The Boer War, and Britain's unexpected struggles in it, provided a clear opportunity to exploit the diversion of British resources to undermine its power and its control over the international order if US leaders had actually desired revision. Indeed, Britain's European rivals sought to do exactly that. However, by discouraging European intervention and aiding Britain instead of the Boers, the US distinguished itself from these hostile states.

Finally, the US signaled its benign intentions by making concessions to Britain over the Panama Canal that it would have been costless to withhold. In 1900, the US pressed Britain to allow unilateral American construction of an isthmian canal, abrogating an existing agreement that the canal must be jointly constructed. Although Hay concluded a mutually acceptable treaty with British Ambassador Julian Pauncefote that guaranteed, among other things, that the Canal would remain open to all countries even in wartime, the Senate insisted on amendments that omitted British rights altogether.

Despite acknowledging its complete unwillingness to stop the US from unilaterally constructing the canal, Britain rejected the version of the Hay-Pauncefote Treaty passed by Congress. However, the US response was resoundingly conciliatory. The State Department publicly criticized the Senate for undermining

Anglo-American relations, and McKinley urged ratification of the treaty in its original form. The Senate promptly revised the treaty to approximate the original, and US officials went to great lengths to reassure the British that the Senate amendments intended "no hostility to [Britain]." Hay and Senator Henry Cabot Lodge separately insisted that the Senate "merely sought to suggest certain modifications...and submit them for [Britain's] consideration," and these "were not intended as absolute demands" (I. Adams, pp. 28-34).

US leaders recognized that their behavior on this issue was virtually unconstrained. As Lodge put it, "England does not care enough about [the canal] to go to war to prevent our building it, and it would be ruinous if she did make war on us" (Orde, p. 19). Yet Hay understood that given its strong bargaining position, any concessions by the US would constitute costly signals that the US shared Britain's interests, and would strengthen the Anglo-American relationship. He lamented that the Senate amendments "take much from the grace and value of the concessions that Great Britain has made us" (Grenville, pp. 377-8). Thus, US concessions on the canal treaty were explicitly designed to signal benign American intentions toward Britain.

3.6.4   Positive British Updating About US Intentions, 1898-1904

Whereas US restraint had not prompted British leaders to update their beliefs prior to British retrenchment, after 1898 they saw the United States' cooperative behaviors as credible signals of US intentions. As British leaders received these signals, their beliefs about US intentions improved markedly, and Britain began

to encourage the expansion of US power. The timing of these events, along with British leader's attribution of their change in beliefs to US actions taken under low constraints, lends support to the core hypothesis of the retrenchment game.

In response to American benevolent neutrality in the Boer War, Prime Minister Salisbury sent a note to McKinley thanking him for his "friendly interest," and recognized that the early, unilateral US offer of mediation served to forestall a multilateral proposal from European powers that would have been more difficult to ignore (Allen, p. 593). US support against the Boers prompted Ambassador Pauncefote to advise the Foreign Secretary, Lord Lansdowne, that "America seems to be our only friend. . . and it would be unfortunate to quarrel with her" (Perkins, p. 165).

Likewise, the Foreign Office explicitly saw US actions regarding the Panama Canal as a costly signal of broader US intentions. Lansdowne and Salisbury admitted that they would eventually accept whatever terms the US offered. However, recognizing Britain's lack of bargaining leverage as an opportunity to gauge US esteem for British friendship, Lansdowne delayed acceptance in order to elicit the US response. He framed Britain's initial rejection of the treaty as "primarily a matter of principle. . . We objected to the attempt to abrogate without a previous attempt to ascertain our views. . . if the US Govt. had approached us differently, e.g., to show us that the amendment was not intended to interfere with the neutrality of the Canal" Britain would have accepted its terms immediately (I. Adams, pp. 24-27).

British leaders markedly updated their beliefs in response to subsequent US conciliation over the canal. Pauncefote was impressed by how vigorously the McKinley Administration defended British interests in Congress, and reported

that "the attitude of the administration towards us is all that could be desired." Lansdowne stressed the significance of Hay's cooperative signals, in contrast to "the extravagance of individual Senators," to which he did not "attach too much importance." In a memo to the Cabinet, he stated "now that Hay has approached us in a different manner, it is possible to deal less strictly in matters of form," and declared himself "satisfied." By the end of the negotiations, Britain was in favor of even *greater* US influence, pressing the US to take "sole responsibility...for maintaining [the canal's] neutrality" (I. Adams, pp. 31-32).

In contrast to the early-mid 1890s, American support of the Open Door had a pronounced effect on British beliefs. Encouraged by reassurance from the Senate as early as 1898 that the US would "stand by [Britain] in her declaration that all the ports of China must be opened to all nations equally," Joseph Chamberlain proposed that the Foreign Office "approach the United States officially" to "stand with us in our Chinese policy." In 1902 the Foreign Office reported to Parliament that "all through the difficulties in China we have worked on the most cordial terms with the United States. In almost every crisis...our representatives have been working together," and Lansdowne predicted "that we shall continue to push well together" against mercantilist encroachment. Lansdowne wrote that "we have every reason to believe that [the US] desires a maintenance of the status quo in the Far East" and that "we have noticed with satisfaction that the policy of the US government has from the first been favorable to the maintenance of Treaty rights and equal opportunity for commerce throughout China" (Perkins, pp. 211-218; I. Adams, pp. 172-177, 194-199).

Cooperative US actions in Latin America also resonated with British statesmen. During the Second Venezuela Crisis of 1902, British Ambassador Michael

Herbert contrasted the United State's apprehension about German actions with its lack of suspicion toward Britain (I. Adams, pp. 47-49). Despite "a storm of public opinion" in the US against Anglo-German intervention, Herbert reported that "the [Roosevelt] administration has been most friendly throughout...friendly relations between Great Britain and the United States, instead of being impaired here, have, if anything, been strengthened" (I. Adams, p. 53). After Britain had amicably submitted to arbitration, Lansdowne declared that "during the whole course of these negotiations not one single word was said or written by the US government which was not thoughtful and friendly and considerate towards this country" (Perkins, pp. 188-192).

These actions and continued US restraint convinced British leaders that they could trust the US to maintain the liberal international order in Latin America and East Asia. Prime Minister Arthur Balfour wrote to Andrew Carnegie in 1902 that "South American republics are great trouble and I wish the USA would take them in hand," and contrasted the US against "warlike and aggressive powers." By 1904 Lansdowne advocated that "each government should take the other fully into its confidence...on all essential principles, there is unlikely to be any divergence between our policies or conduct." Cecil Spring-Rice, a British diplomat, noted that "I know that both Hay and Roosevelt would like – not joint, but parallel action [with Britain in Asia] – and would be ready to cooperate in spirit if not in deed." The Roosevelt Corollary was broadly cheered in Britain as a "definite statement of US intent" to make sure those countries "pay their debts, keep their word, and act with decency," leaving "one less area of the world for Britain to police." Balfour reiterated that "We welcome any increase in the influence of the USA upon the great Western hemisphere...I believe it would be a great gain to civilization if the US were more actively to interest themselves in making arrangements," and

his successor, Lord Grey, concurred that "these small republics...must succumb to some greater and better influence and it can only be that of the USA" (I. Adams, p. 64, 76; Orde, pp. 33-4; Perkins, pp. 194, 127, 160-1).

The dramatic change in British beliefs about US intentions produced a corresponding softening of British policy toward the US beyond the initial retrenchment of the 1890s, which gave rise to the longstanding Anglo-American "special relationship." Unlike retrenchment, which was undertaken reluctantly and with great pessimism about subsequent US actions, the "rapprochement" of the early 20th century was implemented with the hope that the US would adopt a more active role in global governance, and take increasing responsibility for providing public goods to support the liberal international order.

By 1903, Britain's only qualm about withdrawing from the Western Hemisphere was that the US might not adequately defend the open door in Latin America from German encroachment. Balfour requested that the US "more actively interest themselves...in South America...to see that international law is observed" (I. Adams, pp. 70-71). As Bradford Perkins writes:

> "satisfied with her own commercial position and reasonably confident
> that the US would not take unfair advantage, Britain asked only that
> the US should prevent third parties from mounting challenges to the
> economic and political health of the Empire" (Perkins, p. 160).

Britain also sought increased US involvement in Asia. Ambassador Herbert hoped that the US "might become educated up to a more vigorous policy" to prevent Russian expansion. In 1903, Lansdowne declared Britain "prepared to follow the US step by step up to any point that may be necessary," and Chamberlain

added, "to the extremity of hostile actions" (I. Adams, p. 181). Although US trade with China quintupled from 1897 to 1905 and American competition cut Britain's share of Japanese trade in half, commercial friction between Britain and the US was almost entirely absent (Perkins, p. 126). Moreover, despite being formally allied with Japan after 1902, Britain consistently favored the US over Japan in Asia. In 1905, Lansdowne, the British Foreign Secretary, insisted that the US be exempted from naval planning in the revised Anglo-Japanese alliance, and Grey confirmed in 1906 that Britain would abrogate the Japanese Alliance if Japan were to go to war with the US (Perkins, pp. 230-2).

Likewise, Britain's reactions to the US and German naval buildups were diametrically opposed. Even though the US navy was consistently superior to Germany's, US naval power was omitted from Britain's calculations of its own naval budget. After 1901 British planners increasingly concentrated the Royal Navy in the North Atlantic, withdrawing from the Western Hemisphere almost entirely (Rock, 1989, p. 30; Friedberg, 1988, pp. 172-199). Admiral John Fisher admitted that this second wave of retrenchment would not have occurred had he considered conflict with the US to be possible. In 1906 he described the US as "a kindred state with whom we shall never have a parricidal war," and the Committee of Imperial Defense issued a memorandum that concluded Anglo-American war was "so unlikely as to be a contingency against which it is unnecessary to make provision" (Perkins, p. 158).

3.6.5   Summary: implications for the retrenchment game

Britain's retrenchment from the Western Hemisphere nicely illustrates a core hypothesis of the retrenchment game. Because retrenchment induces hostile risers

to attempt revision, a rising state's continued cooperation in the face of retrench-
ment should become more credible as a signal of benign intentions. Prior to 1898,
British leaders had dismissed US cooperation as non-credible because they were
aware that a rising United States had strong incentives to refrain from revision
in the presence of British power. However, after these constraints were removed
by Britain's reduction of its relative capabilities in each region, US restraint in
Latin America and East Asia had a powerful effect on British beliefs about US
intentions.

Furthermore, the retrenchment game holds that early retrenchment provides
valuable information that informs the declining state's subsequent foreign policy
toward the rising state, and allows it to achieve more favorable outcomes in the
future. This contrasts with existing theories of retrenchment, which treat it as a
strategy that a decliner will adopt only after a power shift has already occurred -
leaving the declining state substantially weakened in the present - rather than a
strategy that the decliner might adopt prospectively, from a position of strength,
before the power shift has progressed very far. In the Anglo-American case, re-
trenchment occurred relatively early in the power shift, soon after decline was
recognized by British leaders, and well before Britain had lost the capacity to sus-
tain local superiority in the Western Hemisphere. As a result, Britain was able
to achieve mutually beneficial cooperation with the rising United States against
mercantilist powers in the 1900s.

Finally, the retrenchment game predicts that retrenchment is more likely to
occur if the value of the regional order is asymmetrically low for the declining
state relative to the rising state. This case study bears this out. The Western
Hemisphere was of far lower value to Britain in the 1890s than other regions,

primarily the North Atlantic, the Mediterranean, and the Near East, whereas it was of primary importance to the United States. Britain was therefore willing to cede control of the regional order to a rising United States, despite the significant probability that it would result in unfavorable revision.

3.7 Conclusion

This study has added a novel theoretical insight to the existing debate over the utility of retrenchment strategies. Both retrenchment optimists and retrenchment pessimists have heretofore considered retrenchment a means by which declining states reduce their expenditures after their power to sustain the costs of foreign commitments has already diminished. They have simply disagreed over the relative magnitudes of the savings from retrenchment versus the benefits of maintaining existing commitments. In contrast, the retrenchment game presented above suggests that retrenchment early in a power shift can benefit a declining state for an entirely different reason: by removing constraints over a rising state's behavior in a particular region, retrenchment makes that behavior more informative as a signal of its future intentions for the broader international order. That information, in turn, allows the declining state to adopt a more optimal foreign policy toward the riser, decreasing the likelihood of unnecessary conflict with benign rising states, while allowing the decliner to more effectively oppose the rise of hostile types.

The theoretical findings are illustrated in the case of British decline and retrenchment in the 1890s. This case supports the core hypotheses of the retrenchment game that 1) retrenchment makes hostile rising states more likely to reveal their intentions by attempting immediate revision of the regional order; 2) re-

trenchment increases the credibility of a rising state's cooperative signals; 3) retrenchment is more likely to occur when the regional order is of low value to the declining state but high value to the rising state; and 4) there are advantages to adopting retrenchment early in decline, from a position of strength, rather than after a loss of capabilities has made it unavoidable.

The findings of this study regarding the utility of retrenchment as a screening mechanism should be seen as a complement to the existing retrenchment debate, rather than a competing alternative. Although the retrenchment game assumes that retrenchment carries no inherent benefits for the decliner, this is clearly not always true in reality - certainly retrenchment can occur for reasons other than informational gains, especially as a means of reducing costly commitments or reallocating resources to more valuable assets. Yet the informational benefits of retrenchment identified herein provide an additional potential incentive for retrenchment. Screening a rising state's intentions could be a sufficient motive for a decliner to retrench, but is more likely to combine with other incentives as a necessary condition for retrenchment, or to increase its timing or extent. However, although these findings imply that retrenchment is a more attractive strategy than previously thought, *ceteris paribus*, it does not suggest that retrenchment is always an appropriate response to decline, but merely that the impact of retrenchment on signaling should be taken into account when making that assessment.

This last point highlights the prescriptive value of this study. By virtue of the fact that the incentives for retrenchment explicated by the retrenchment game are counterintuitive and novel, they are unlikely to have been previously recognized and accounted for in leaders' decision calculi. Thus, we should expect the predictions of the model to be somewhat descriptively inaccurate. As the case

study above illustrates, British policymakers facing decline showed little aware-
ness of retrenchment as a screening mechanism prior to retrenching, even though
they subsequently responded to the credible signals that retrenchment yielded.
Yet rather than negating the findings of the model, this descriptive failure un-
derpins their value for critically assessing past policy choices that may have been
suboptimal, and for informing states' foreign policies in the present.

Indeed, the retrenchment game has substantial implications for contemporary
US foreign policy, particularly regarding China, which is projected to continue
growing rapidly relative to the United States for the foreseeable future. Since
2009, the Obama administration has undertaken a program of strategic rebalanc-
ing (the "pivot") toward East Asia, which has increased the American military
and economic presence in the region.[16] The US has expanded its involvement
in regional governance through initiatives like the Trans-Pacific Partnership, a
proposed Asia-Pacific free-trade agreement, and invigoration of the Asia-Pacific
Economic Cooperation forum, while increasing its involvement in existing regional
institutions, such as the ASEAN Regional Forum and the East Asia Summit. The
US has also reinforced its regional security commitments, including support for its
allies' maritime claims against China, arms sales to Taiwan, troop deployments
in Australia, enhanced bases in Guam and the Philippines, and an emphasis on
military tactics to counter China's "anti-access" capabilities.

The retrenchment game calls this strategy into question. The policies of the
pivot are designed to constrain China's *current* behavior through positive and
negative inducements. However, they do nothing to reduce China's capacity to

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[16]Hillary Clinton, "America's Pacific Century," *Foreign Policy (*November 2011),
http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century; See also James
Steinberg, et al., "Turning to the Pacific: U.S. Strategic Rebalancing Toward Asia," *Asia Policy*,
No. 14 (July 2012), pp. 21–49.

revise in the future, once it has become more powerful. Furthermore, inducing China to behave cooperatively - even if it has hostile future intentions - reduces the credibility of China's cooperative signals, thereby hindering a benign China's ability to inform the US of its true intentions. The resulting uncertainty in the US about China's intentions, which is apparent in contemporary academic and policy discourse, prolongs and exacerbates Sino-American tensions, while inhibiting the US from effectively confronting China if its preferences for the international order deviate from those of the US.

In contrast, the retrenchment game suggests that drawing down its presence in Asia might give the United States valuable insights into China's future intentions, by giving China the freedom to shape its local order in accordance with its own preferences. This is particularly true regarding minor issues to the US, such as the maritime disputes in the South China Sea, or perhaps even Taiwanese independence. While these issues are of vital importance to China, for the US the costs of unfavorable revisions may be outweighed by the value of learning how China is likely to behave on other, more important issues as it gains power and influence globally. Thus, selectively reducing the US military presence in Asia and ceding greater responsibility to China for regional governance would benefit the US beyond simply reducing expenditures, and should be given serious consideration as a component of current US strategy.

3.A Appendix: Proof of the Equilibria of the Retrenchment Game

This appendix contains a proof that the conditional strategies for the rising and declining states characterized in the text constitute a perfect Bayesian equilibrium (PBE). PBE requires that each actor's strategies are best responses to each other at all decision nodes given their beliefs, which must be derived using Bayes' rule.

Proposition 15 *When $w > W$, RS plays $r = g$ if $g < r^*$, $r = \frac{r^*}{2}$ if $r^* < g < g^*$, and $r = g$ if $g > g^*$, where $g^* \equiv \frac{C + \frac{r^*}{2}\alpha_{\mathrm{RS}}}{wP_1\alpha_{\mathrm{RS}} + P_2|_{\mathrm{O}} - P_2|_{\mathrm{A}}}$. DS plays A in response to the riser's cooperative signal, $\underline{r}$, and O in response to the riser's non-cooperative signal, $\bar{r}$. B', the decliner's posterior belief in response to signal $\underline{r}$, is equal to g^*.*

Lemma 16 *If the decliner's best strategy is to play A in response to signal $\underline{r}$, RS plays $r = g$ if $g < r^*$, $r = \frac{r^*}{2}$ if $r^* < g < g^*$, and $r = g$ if $g > g^*$.*

Proof. RS always plays $r = g$ when $g < r^*$. When $g < r^*$, the riser's revision to its ideal point sends cooperative signal $\underline{r}$. Since $r = g$ sends the same signal as the riser's only alternative action, $r = \frac{r^*}{2}$, DS will respond identically to either action. The riser therefore has no incentive to revise to any point other than g when $g < r^*$.

On the other hand, when $g > r^*$, playing $r = g$ sends non-cooperative signal $\bar{r}$, to which DS by definition responds by playing O. Therefore, the riser's payoff from playing $r = g > r^*$ is

$$U_{RS}(g, O) = wP_1 g\alpha_{\mathrm{RS}} - C + gP_2|_{\mathrm{O}} \tag{3.1}$$

If RS instead plays $r = \frac{r^*}{2}$ and DS responds by playing A, then the riser's stand-alone first-round payoff is

$$U_{RS}\left(\frac{r^*}{2}, A\right) = \frac{r^*}{2}\alpha_{\text{RS}} + gP_2|_{\text{A}} \tag{3.2}$$

Setting equation 3.1 equal to equation 3.2 and solving for g yields g^*, the threshold of incompatibility above which RS prefers to attempt immediate revision even when cooperation allows it to avoid opposition entirely.

$$g^* \equiv \frac{C + \frac{r^*}{2}\alpha_{\text{RS}}}{wP_1\alpha_{\text{RS}} + P_2|_{\text{O}} - P_2|_{\text{A}}} \tag{3.3}$$

Thus, if DS plays A in response to $\underline{r}$, RS prefers to play $\frac{r^*}{2}$ and incur no opposition when $r^* < g < g^*$, and prefers to play $r = g$ and incur full opposition when $g > g^*$.

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Lemma 17 $B^* \equiv \frac{2C - (1 - wP_1)r^*\alpha_{\text{DS}}}{P_2|_{\text{A}} - P_2|_{\text{O}}}$ *is the threshold of B' above which DS plays O in response to signal $\underline{r}$, and below which it plays A in response to $\underline{r}$.*

Proof. The declining state's respective payoffs for playing O and A in response to $\underline{r}$ are given by the following equations:

$$U_{DS}\left(\text{O}|\underline{r}\right) = -wP_1 r\alpha_{\text{DS}} - C - gP_2|_{\text{O}} \tag{3.4}$$

$$U_{DS}\left(\text{A}|\underline{r}\right) = -r\alpha_{\text{DS}} - gP_2|_{\text{A}} \tag{3.5}$$

DS does not directly observe the riser's first round revision, r. Yet DS can infer when RS sends signal $\underline{r}$ that on average $r = \frac{r^*}{2}$. If $g > r^*$, RS can only send signal $\underline{r}$ by revising short of its ideal point to $\frac{r^*}{2}$. On the other hand, we know from 16 that if $g < r^*$ RS will revise to g, which is uniformly distributed from 0 to r^*, making the average value of r equal to $\frac{r^*}{2}$. DS is also incompletely informed

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about the value of g. Recall that the decliner's posterior belief about the value of g in response to $\underline{r}$ is expressed as a uniform probability distribution $(0, B')$, where B' is the maximum possible value of g. Therefore, DS believes that the average value of g is $\frac{B'}{2}$. Substituting $\frac{B'}{2}$ for g and $\frac{r^*}{2}$ for r in equations 3.4 and 3.5 yields

$$U_{DS}\left(\mathrm{O}|\underline{r}\right) = -\frac{wP_1 r^* \alpha_{\mathrm{DS}} + B'P_2|\mathrm{O}}{2} - C \tag{3.6}$$

$$U_{DS}\left(\mathrm{A}|\underline{r}\right) = -\frac{r^* \alpha_{\mathrm{DS}} + B'P_2|\mathrm{A}}{2} \tag{3.7}$$

By definition, B^* is the value of B at which the decliner is indifferent between playing O and A, which occurs when $U_{DS}\left(\mathrm{O}|\underline{r}\right) = U_{DS}\left(\mathrm{A}|\underline{r}\right)$. Setting equations 3.6 and 3.7 equal and solving for B' therefore yields B^*:

$$B^* \equiv \frac{2C - (1 - wP_1) r^* \alpha_{\mathrm{DS}}}{P_2|\mathrm{A} - P_2|\mathrm{O}} \tag{3.8}$$

∎

Lemma 18 *When $w > W$, DS plays A in response to signal $\underline{r}$.*

Proof. W is defined as the value of w that makes $B^* = g^*$, such that $B^* > g^*$ for all $w > W$. From 16, we know that if DS will play $\mathrm{A}|\underline{r}$, RS sends signal $\underline{r}$ when $g < g^*$, and $\overline{r}$ when $g > g^*$. If this is the case, then $B' = g^*$: because observation of $\underline{r}$ eliminates any possibility that $g > g^*$, g^* becomes the maximum possible value of g. Furthermore, we know from Lemma 17 that DS plays A in response to $\underline{r}$ *iff* $B' < B^*$. Therefore, if the rising state's strategy makes $B' < B^*$, then DS will play A in response to $\underline{r}$. This occurs when $w > W$, which by definition makes $g^* < B^*$. Because the riser's strategy makes $B' = g^*$, B' is therefore less than B^*, and DS plays $\mathrm{A}|\underline{r}$ in equilibrium. ∎

Proposition 19 *When $w < W$, RS plays $r = g$ if $g < r^*$, $r = \frac{r^*}{2}$ if $r^* < g < B^*$, and $r = g$ if $g > B^*$. DS randomly plays O with probability π^* and A with probability $(1 - \pi^*)$ in response to cooperative signal $\underline{r}$, where $\pi^* = \frac{2C + 2B^*(P_2|_A - P_2|_O) + r^*\alpha_{RS} - 2wP_1B^*\alpha_{RS}}{2C + 2B^*(P_2|_A - P_2|_O) + (1 - wP_1)r^*\alpha_{RS}}$. In response to signal $\underline{r}$ the decliner forms posterior belief $B' = B^*$.*

Proof. When $w < W$, by definition $g^* > B^*$. We can show that DS plays a mixed strategy in response to $\underline{r}$ when $w < W$ by demonstrating that neither of the decliner's pure strategies, O or A, are supported in equilibrium. Suppose that DS plays A in response to $\underline{r}$. Lemma 18 shows that if DS plays A$|\underline{r}$, $B' = g^*$. However, by definition, $g^* > B^*$ when $w < W$, which means that $B' > B^*$, and the decliner's best strategy is to play O in response to $\underline{r}$. This contradicts the original supposition that DS plays A$|\underline{r}$.

Now suppose that O is the decliner's best response to $\underline{r}$ when $w < W$. In this case, RS has no incentive to misrepresent, because its action has no effect on the decliner's response: DS will play O regardless of the signal it receives. RS therefore revises to its ideal point for all values of $\dot{g}$, which sends signal $\underline{r}$ when $g < r^*$ and $\overline{r}$ when $g > r^*$. This makes the decliner's posterior belief $B' = r^*$. However, under all conditions $r^* < B^*$, which means that $B' < B^*$ if the decliner's best response is to play O$|\underline{r}$. This results in a contradiction, because the decliner's best response is to play A$|\underline{r}$ when $B' < B^*$.

DS must therefore play a mixed strategy when $w < W$. A mixed strategy only occurs when an actor is indifferent among its pure strategies. Therefore, in equilibrium, the frequencies with which DS plays O and A in response to $\underline{r}$ must result in a posterior belief that makes DS indifferent between A$|\underline{r}$ and O$|\underline{r}$. In other words, in response to $\underline{r}$, DS must play O with frequency π^* and A with

frequency $1 - \pi^*$ such that $B' = B^*$. B' is always equal to the value of g above which RS sends signal $\bar{r}$ and below which it sends signal $\underline{r}$. Thus, in order to make $B' = B^*$, π^* must take on a value that makes RS indifferent between playing $r = \frac{r^*}{2}$ and $r = g$ when $g = B^*$. This occurs when π satisfies the following equation:

$$\pi * U_{RS}\left(\frac{r^*}{2}, \mathrm{O}\right) + (1 - \pi) * U_{RS}\left(\frac{r^*}{2}, \mathrm{A}\right) = U_{RS}(g, \mathrm{O}) \qquad (3.9)$$

$$\pi\left(wP_1\frac{r^*}{2}\alpha_{\mathrm{RS}} - C + P_2|\mathrm{O}B^*\right) + (1 - \pi)(\frac{r^*}{2}\alpha_{\mathrm{RS}} + P_2|\mathrm{A}B^*) = wP_1B^*\alpha_{\mathrm{RS}} - C + P_2|\mathrm{O}B^*$$

$$\pi^* = \frac{2C + 2B^*\left(P_2|\mathrm{A} - P_2|\mathrm{O}\right) + r^*\alpha_{\mathrm{RS}} - 2wP_1B^*\alpha_{\mathrm{RS}}}{2C + 2B^*\left(P_2|\mathrm{A} - P_2|\mathrm{O}\right) + (1 - wP_1)\,r^*\alpha_{\mathrm{RS}}}$$

Thus, in order to produce posterior belief $B' = B^*$ that supports a mixed strategy, π^* induces RS to send signal $\bar{r}$ when $\dot{g} > B^*$ by playing $r = g$ and to send signal $\underline{r}$ when $r^* < \dot{g} < B^*$ by playing $r = \frac{r^*}{2}$. As Lemma 16 shows is always the case, when $\dot{g} < r^*$ RS plays $r = g$, which sends signal $\underline{r}$. ∎

Proposition 20 *The declining state's optimal degree of retrenchment, w^*, is the value of w that maximizes the decliner's overall utility function, U_{DS}, which is given by the following piecewise-defined function:*

$$U_{DS} = \begin{cases} -\frac{B^*}{B_0}\left(\pi^*\left(wP_1\frac{r^*}{2}\alpha_{\mathrm{DS}} + C + P_2|\mathrm{O}\frac{B^*}{2}\right) + (1 - \pi^*)\left(\frac{r^*}{2}\alpha_{\mathrm{DS}} + P_2|\mathrm{A}\frac{B^*}{2}\right)\right) \\ \qquad\qquad -\frac{B_0 - B^*}{B_0}\left(\frac{B_0 + B^*}{2}\left(wP_1\alpha_{\mathrm{DS}} + P_2|\mathrm{O}\right) + C\right) \\ -\frac{g^*}{B_0}\left(\frac{r^*}{2}\alpha_{\mathrm{DS}} + P_2|\mathrm{A}\frac{g^*}{2}\right) - \frac{B_0 - g^*}{B_0}\left(\frac{B_0 + g^*}{2}\left(wP_1\alpha_{\mathrm{DS}} + P_2|\mathrm{O}\right) + C\right) \end{cases} \begin{array}{l} \textit{if } w < W \\ \\ \textit{if } w > W \end{array}$$
$$(3.10)$$

Proof. The decliner's overall payoff function at the outset of the game, prior to selecting a degree of retrenchment, varies depending on the value of w. Lemma 17

shows that when $w > W$, DS plays pure strategy A in response to $\underline{r}$. Its expected utility when RS sends signal $\underline{r}$ is therefore given by equation 3.7:

$$U_{DS}(A|\underline{r}) = -\frac{r^*}{2}\alpha_{DS} - P_{2|A}\frac{B'}{2}$$

On the other hand, because DS always plays O in response to $\bar{r}$, its payoff function if RS sends signal $\bar{r}$ is given by equation 3.4:

$$U_{DS}(O|\bar{r}) = -wP_1 g\alpha_{DS} - gP_{2|O} - C$$

Lemma 16 shows that when $w > W$, RS sends signal $\underline{r}$ *iff* $g < g^*$, such that $B' = g^*$. If $g > g^*$, RS sends signal $\bar{r}$, and DS will respond by playing O. At the outset of the game the probability of any value of g is uniformly distributed from 0 to B_0, the declining state's prior belief about the maximum value of g. The average value of g for a rising state that sends signal $\bar{r}$ is therefore halfway between g^* and B_0, or $\frac{B_0 + g^*}{2}$. The decliner's payoffs if RS sends signals $\underline{r}$ and $\bar{r}$, respectively, are thus

$$U_{DS}(\underline{r}) = -\frac{r^*}{2}\alpha_{DS} - P_{2|A}\frac{g^*}{2} \tag{3.11}$$

$$U_{DS}(\bar{r}) = -\frac{B_0 + g^*}{2}(wP_1\alpha_{DS} + P_{2|O}) - C \tag{3.12}$$

Because g is uniformly distributed, the ex ante probability that RS will send signal $\bar{r}$ is equal to $\frac{g^*}{B_0}$, while the probability that RS will send signal $\underline{r}$ is $1 - \frac{g^*}{B_0}$. Therefore, multiplying these probabilities by equations 3.11 and 3.12 yields the decliner's overall expected payoff from playing $w > W$:

$$U_{DS}(w > W) = -\frac{g^*}{B_0}\left(\frac{r^*}{2}\alpha_{DS} + P_{2|A}\frac{g^*}{2}\right) - \left(1 - \frac{g^*}{B_0}\right)\left(\frac{B_0 + g^*}{2}(wP_1\alpha_{DS} + P_{2|O}) + C\right) \tag{3.13}$$

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In contrast, Proposition 19 shows that when $w < W$, DS plays O with frequency π and A with frequency $1 - \pi$ in response to $\underline{r}$, and that RS sends signal $\underline{r}$ iff $g < B^*$, such that $B' = B^*$. When $w < W$, the average value of g for a rising state that sends signal $\overline{r}$ is therefore halfway between B^* and B_0, or $\frac{B_0 + B^*}{2}$, whereas average value of g for a rising state that sends signal $\underline{r}$ is $\frac{B^*}{2}$. The decliner's payoffs if RS sends signals $\underline{r}$ and $\overline{r}$, respectively, are thus

$$U_{DS}(\underline{r}) = -\pi^* \left(w P_1 \frac{r^*}{2} \alpha_{\mathrm{DS}} + C + P_2 | \mathrm{O} \frac{B^*}{2} \right) - (1 - \pi^*) \left(\frac{r^*}{2} \alpha_{\mathrm{DS}} + P_2 | \mathrm{A} \frac{B^*}{2} \right)$$
(3.14)

$$U_{DS}(\overline{r}) = -\frac{B_0 + B^*}{2} \left(w P_1 \alpha_{\mathrm{DS}} + P_2 | \mathrm{O} \right) - C$$
(3.15)

Because g is uniformly distributed, the ex ante probability that RS will send signal $\overline{r}$ is equal to $\frac{B^*}{B_0}$, while the probability that RS will send signal $\underline{r}$ is $1 - \frac{B^*}{B_0}$. Therefore, multiplying these probabilities by equations 3.14 and 3.15 yields the decliner's overall expected payoff from playing $w < W$:

$$U_{DS}(w < W) = \begin{array}{l} -\frac{B^*}{B_0} \left(\pi^* \left(w P_1 \frac{r^*}{2} \alpha_{\mathrm{DS}} + C + P_2 | \mathrm{O} \frac{B^*}{2} \right) + (1 - \pi^*) \left(\frac{r^*}{2} \alpha_{\mathrm{DS}} + P_2 | \mathrm{A} \frac{B^*}{2} \right) \right) \\ - \left(1 - \frac{B^*}{B_0} \right) \left(\frac{B_0 + B^*}{2} \left(w P_1 \alpha_{\mathrm{DS}} + P_2 | \mathrm{O} \right) + C \right) \end{array}$$
(3.16)

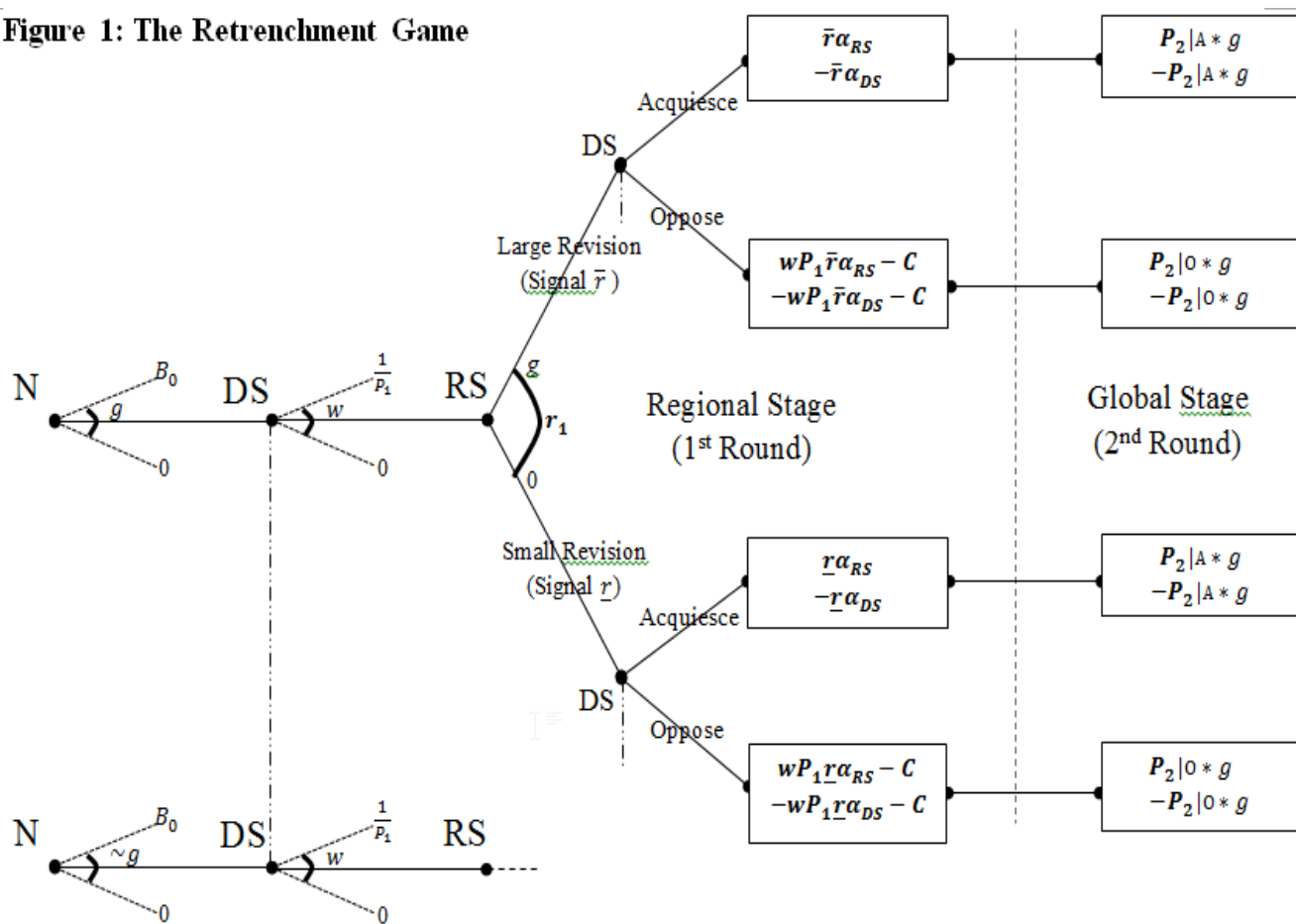Combining equations 3.13 and 3.16 yields the piecewise function in equation 3.10.

w^*, the declining state's optimal degree of retrenchment, is the value of w that maximizes equation 3.10. w^* is to complicated to present as an explicit solution. Instead, I outline the procedure by which it can be found. The first step is to take $\frac{d}{dw} U_{DS}(w > W)$ and $\frac{d}{dw} U_{DS}(w < W)$. If the partial derivatives are positive, the decliner's payoffs are increasing in w, and if they are negative the decliner's payoffs are decreasing in w. Check for a maximum at the crossing point of the two functions. If $U_{DS}(w < W)$ is monotonically increasing in w and $U_{DS}(w > W)$ monotonically decreasing in w, then their crossing point is the maximum. In this

case, w^* can be found by setting equation 3.13 equal to equation 3.16 and solving for w.

However, if these monotonicity conditions do not hold, w^* is found by setting $\frac{d}{dw}U_{DS}(w > W)$ and $\frac{d}{dw}U_{DS}(w < W)$ equal to 0 and solving for w'. This yields a local maximum (which can be confirmed by taking the second partial derivative with respect to w and showing it to be negative). If either partial derivative has no local maximum within the possible range of w, then the function is monotonic. If $\frac{d}{dw}U_{DS}(w < W)$ is negative, then its maximum is at $w = 1$. Conversely, if $\frac{d}{dw}U_{DS}(w > W)$ is positive, then its maximum is at $w = \frac{1}{P_1}$. Once the maximum has been found for both $U_{DS}(w > W)$ and $U_{DS}(w < W)$, the overall maximum, w^*, is whichever segment of the function is greater at its maximum. $\blacksquare$

3.B   Tables and Figures

Figure 1: The Retrenchment Game

$\bar{r}\alpha_{RS}$
$-\bar{r}\alpha_{DS}$

$P_2|_{A*g}$
$-P_2|_{A*g}$

Acquiesce

DS

Oppose

Large Revision
(Signal $\bar{r}$)

$wP_1\bar{r}\alpha_{RS} - C$
$-wP_1\bar{r}\alpha_{DS} - C$

$P_2|_{O*g}$
$-P_2|_{O*g}$

N DS   RS

B_0 $\frac{1}{P_1}$ g

g w r_1

0   0   0

Regional Stage
(1st Round)

Global Stage
(2nd Round)

Small Revision
(Signal r)

$r\alpha_{RS}$
$-r\alpha_{DS}$

$P_2|_{A*g}$
$-P_2|_{A*g}$

Acquiesce

DS

Oppose

$wP_1 r\alpha_{RS} - C$
$-wP_1 r\alpha_{DS} - C$

$P_2|_{O*g}$
$-P_2|_{O*g}$

N DS   RS

B_0 $\frac{1}{P_1}$
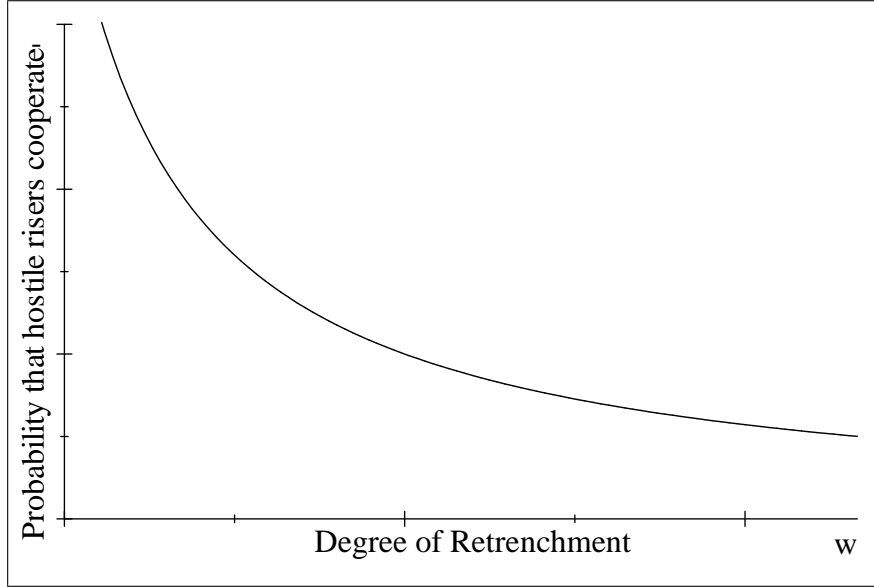
$\sim g$ w

0   0

Figure 2: Effect of retrenchment on riser's incentive to misrepresent. ($P_1 = 0.3$; $\alpha_{DS} = 0.5$; $\Delta = 2.33$).
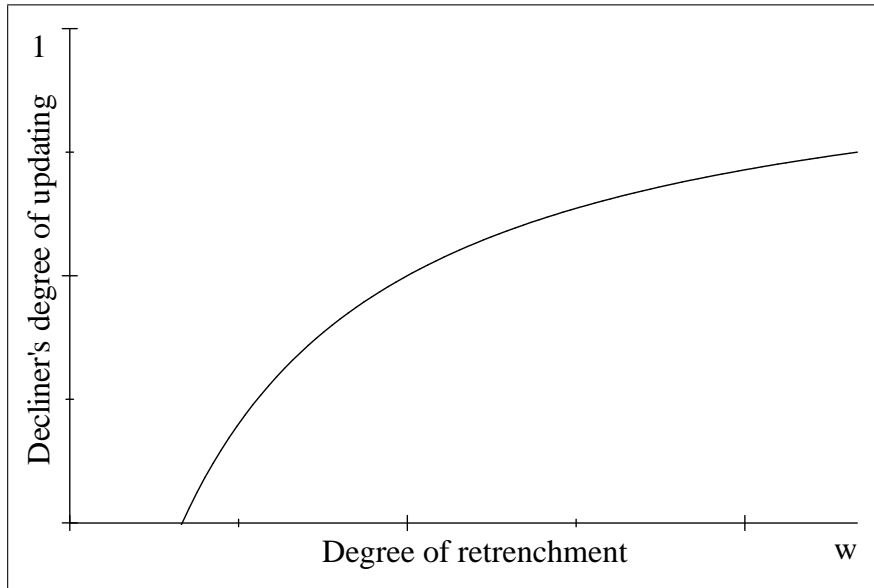

Figure 3: Effect of retrenchment on the credibility of risers' cooperative signals ($P_1 = 0.3$; $\alpha_{DS} = 0.5$; $\Delta = 2.33$).
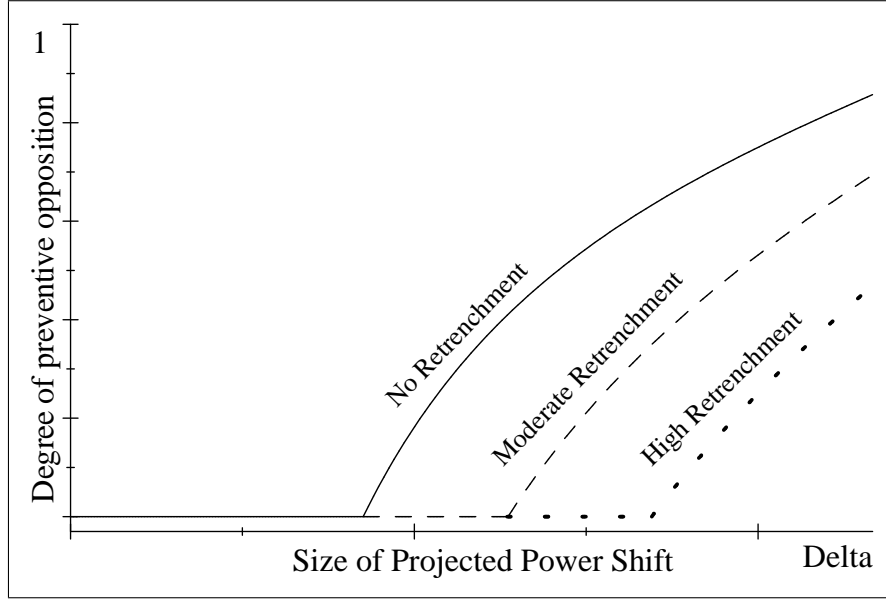
Figure 4: Effect of retrenchment on declining state's degree of preventive opposition in response to cooperative signals ($\alpha_{DS} = 0.5$, $P_1 = 0.3$, $w = 1, 1.25, 1.5$).
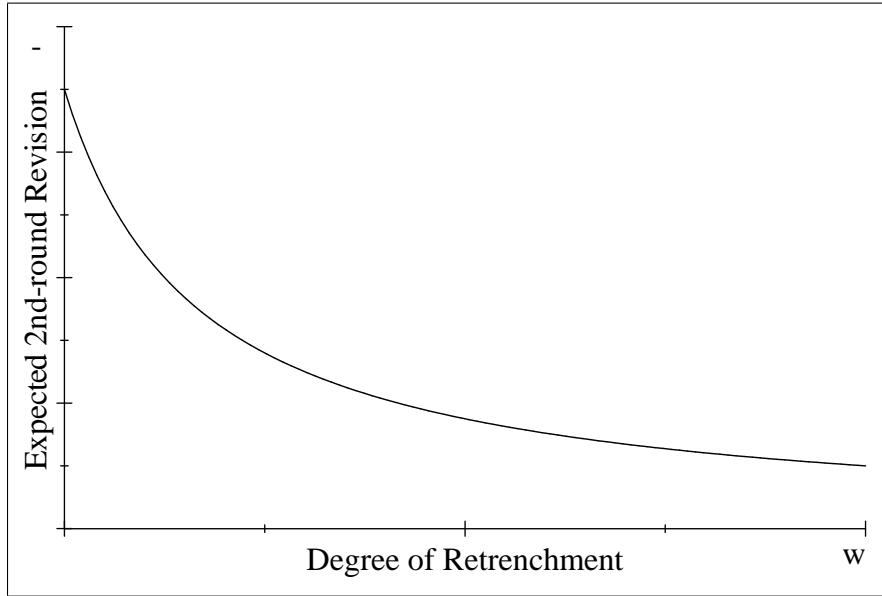
Figure 5: Average degree of incompatibility of risers that do not incur opposition ($P_1 = 0.3$, $\alpha_{DS} = 0.5$, $\Delta = 2.33$).

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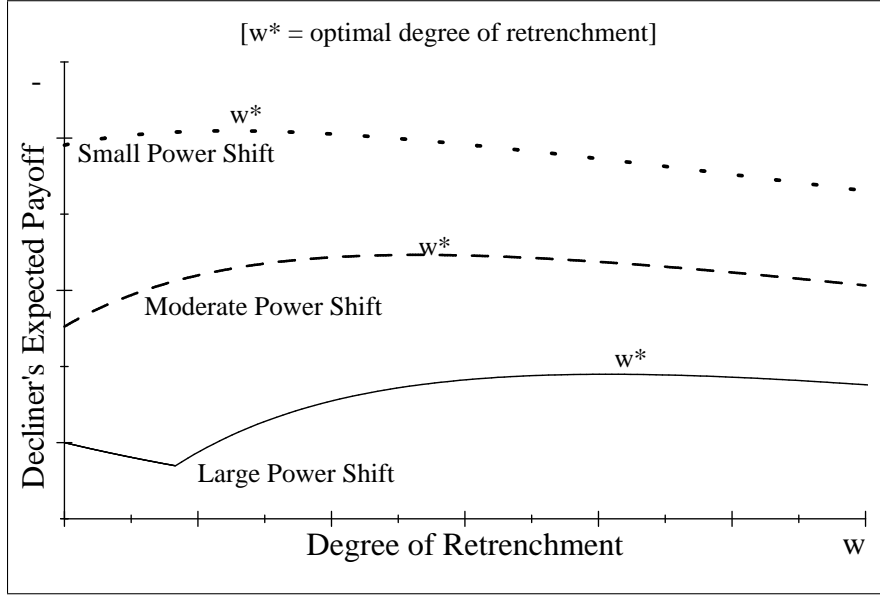
Figure 6: The decliner's optimal degree of retrenchment increases with the size of the projected power shift ($P_1 = 0.4$; $\alpha_{DS} = 0.05$; $B_0 = 11.25$; $\Delta = 1.8, 1.9, 2$).
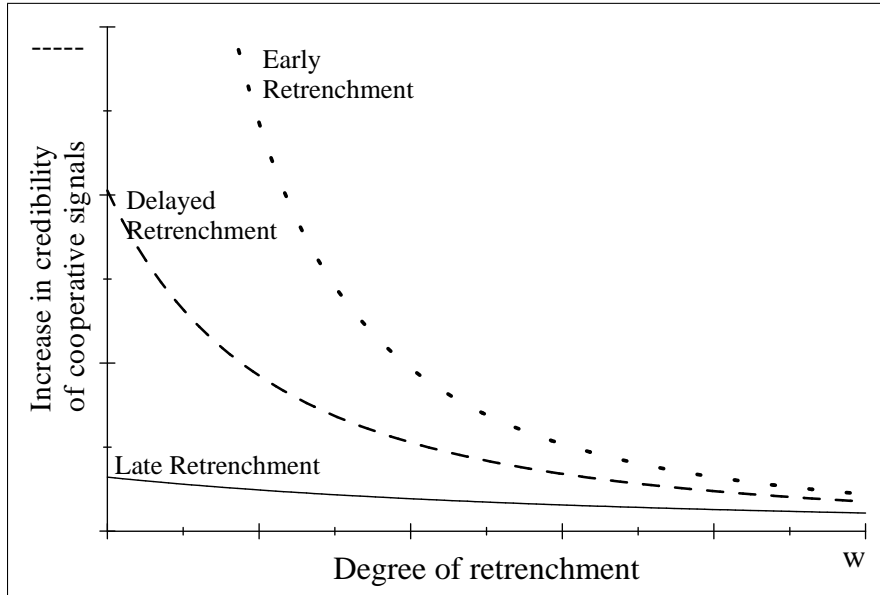
Figure 7: The earlier in the power shift that retrenchment occurs, the greater its effect on the credibility of risers' signals ($P_1 = 0.3, 0.45, 0.6$; $\alpha_{DS} = 0.5$; $\Delta P_1 = 0.7$).
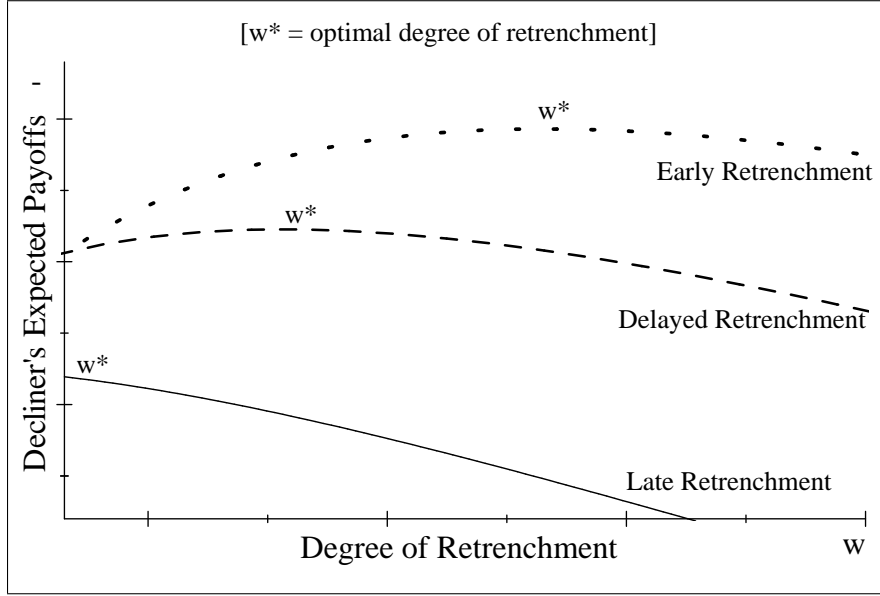
Figure 8: The decliner's optimal degree of retrenchment is greatest early in the power shift ($P_1 = 0.4, 0.5, 0.6$; $\alpha_{DS} = 0.05$; $B_0 = 11.25$; $\Delta P_1 = 0.76$).
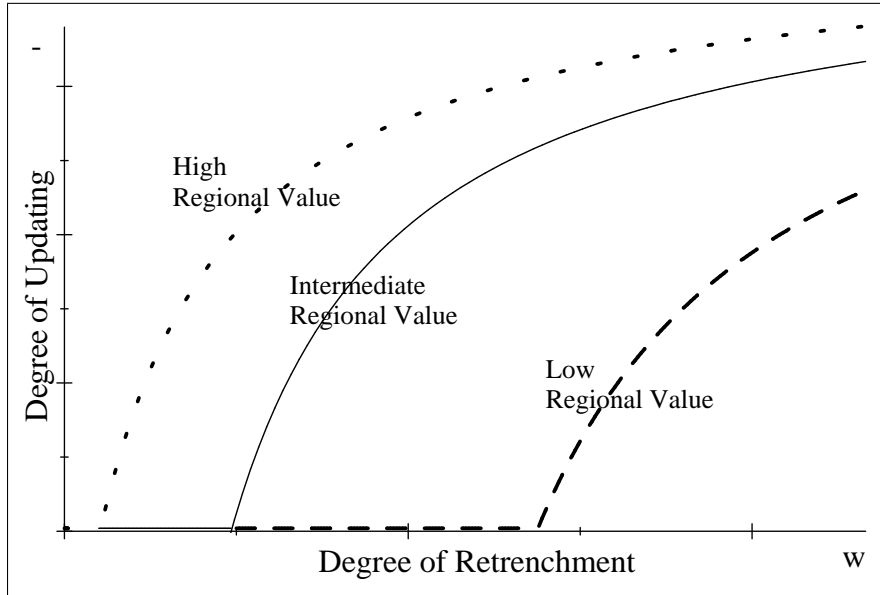
Figure 9: The effect of retrenchment on credibility increases with the value of the regional order to the rising state ($P_1 = 0.3$; $\Delta = 2$; $B_0 = 20$; $\alpha_{RS} = 0.7, 0.5, 0.3$).
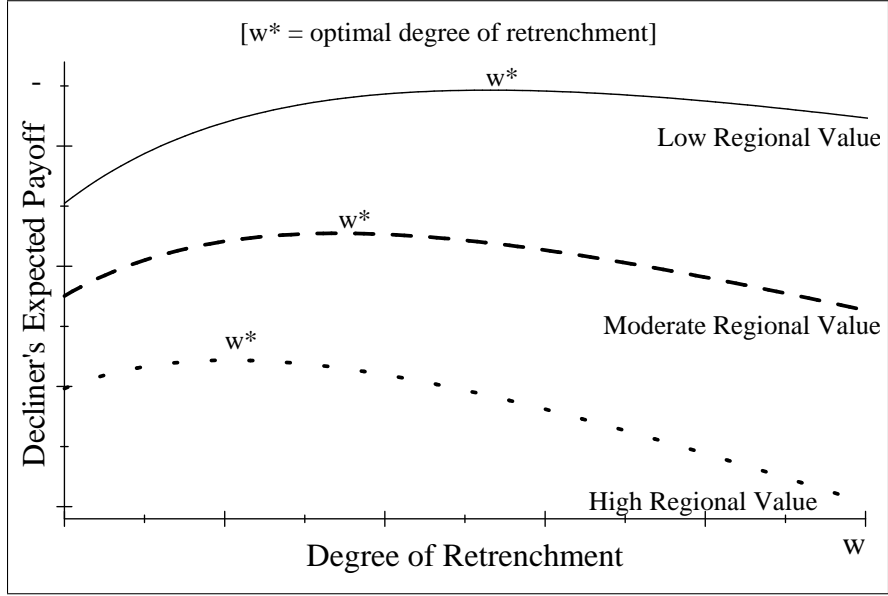
Figure 10: The decliner's optimal degree of retrenchment decreases the more it values the regional order ($P_1 = 0.4$, $\alpha_{DS} = 0.05, 0.1, 0.15$, $B_0 = 11.25$, $\Delta = 1.9$).

Chapter 4

The Power Shift Game and

US-Soviet Cooperation in WWII

4.1   Introduction

This chapter applies the findings of the power shift game, presented in Chapter 1, to analyze the actions and beliefs of the United States and the Soviet Union during the Second World War. This case is well-suited to illustrate the mechanisms of the power shift game regarding the credibility of interstate signals in the context of a power shift. Through the start of 1943, the Soviet Union seemed certain to emerge from the war broken and weak, if it emerged at all: Soviet defeat at the hands of Germany was quite possible during that time. However, as momentous military victories in the winter and summer of 1943 turned the tide of war decisively in the Soviets' favor, it quickly became clear that the Soviets would emerge from

the war as the dominant power in Europe, with enormous potential for sustained postwar growth and further political and economic expansion. This rapid increase in the size of the projected power shift (PPS) in early 1943 allows us to test the propositions of the power shift game versus the competing optimist and pessimist signaling models, as well as to evaluate the policy choices made by US and Soviet leaders through the theoretical lens of the power shift game.

The power shift game predicts that under a small PPS early in the war, American policymakers should not have updated their beliefs in response to cooperative Soviet behavior, but should have accommodated the Soviet Union nonetheless. Given the Soviet Union's desperation for American assistance in the war against Germany, the Soviets had every incentive to behave cooperatively in 1941-42, even though their true goals for the international order were incompatible with those of the US. The power shift game therefore predicts that American observers would attribute cooperative Soviet behavior to the high external constraints that it faced, and decline to update their beliefs. However, because Soviet relative capabilities were not expected to significantly increase after the war even with US assistance, accommodation was a low-risk strategy for the US: it would not make the US very much more vulnerable to Soviet revision in the future, and US power would continue to induce postwar Soviet cooperation, regardless of their underlying goals. Thus, the US could safely pursue the immediate benefits of cooperation with the Soviets against Germany.

However, as the size of the PPS increased throughout 1943, the power shift game predicts that the US would increasingly hedge against rising Soviet power, adopting a strategy of limited prevention in response to continued Soviet cooperation. Anticipation of US containment, in turn, should have reduced the Soviet

incentive to misrepresent, since cooperation would no longer allow the Soviets to completely avoid opposition. Thus, given a hedging strategy of limited prevention by the US, continued Soviet cooperation would have constituted a credible signal of benign Soviet intentions. However, given that Soviet goals were actually incompatible with those of the US, the power shift game predicts increasingly revisionist Soviet behavior as the US preventive motivation increased. In response, US leaders should have negatively updated their beliefs about Soviet goals, and escalated from a limited hedging strategy to one of full containment.

These predictions contrast with those of the optimist and pessimist signaling models. Optimists hold that the primary concern for US leaders should have been to avoid unnecessary conflict with a truly benign Soviet Union. The US should therefore have continued to reciprocate Soviet cooperation after the size of the PPS increased in 1943-44, rather than adopt a hedging strategy. Moreover, optimists predict that cooperative Soviet signals should have remained credible even in the absence of US opposition, prompting US leaders to positively update their beliefs and maintain a high degree of accommodation toward the Soviet Union. On the other hand, the pessimist model, like the power shift game, predicts that the US should have increased its degree of prevention as the PPS increased. Yet unlike the power shift game, the pessimist hypothesis holds that US leaders should dismiss cooperative Soviet signal as non-credible, even if those signals persisted in the face of US containment.

The predictions of the power shift game under a small PPS are borne out in the early years of the war. Despite consistently cooperative signals from the Soviet Union in 1941-42 that it intended to uphold the liberal postwar international order that the US preferred, American leaders maintained the relatively pessimistic

beliefs about Soviet goals that they had held at the outset of the war. Nevertheless, prior to 1943, the US fully supported the Soviet war effort, employing policies and military strategies designed to ensure decisive Soviet victory in the East, with minimal apprehension about postwar Soviet revision.

The initial American and Soviet responses to the increase in the USSR's postwar power projection are also consistent with the power shift game. In the first half of 1943, US foreign policy began to shift toward containment of rising Soviet power, including exclusion of the Soviet Union from governance of liberated European countries and plans for overseas military bases to project US power into Europe and Asia. In anticipation of forthcoming US opposition, the Soviets began to draw back their cooperative behavior and openly demanded exclusive control of the postwar European order.

However, subsequent US behavior and beliefs in late 1943 are inconsistent with the power shift game, and instead conform to the optimist hypothesis. Instead of negatively updating in response to increasingly non-cooperative Soviet behavior, Roosevelt and his advisors attributed Soviet revision to insecurity, and sought to reassure Stalin that the US would not contain the Soviet Union as long as it continued to cooperate. Moreover, after the Soviet Union resumed its cooperative behavior in response to US reassurance, American leaders saw these cooperative signals as credible, and positively updated their beliefs about Soviet intentions. Yet the power shift game predicts that in the absence of overt US opposition, cooperative Soviets signals should have been non-credible: reassurance should have dramatically increased the incentive for the rising Soviet to misrepresent its revisionist intentions, in order to avoid containment and continue to gain power for revision in the future. Thus, the fact that US policymakers found the cooperative

signals of a rising Soviet Union credible, despite the absence of prevention, supports the optimist hypothesis that cooperative signals are credible regardless of the context in which they are sent.

Despite its predictive failure regarding the credibility of Soviet cooperation in 1943, the power shift game remains valuable for interpreting US foreign policy during the war. Although American leaders formed beliefs according to the optimist model rather than the power shift game, those beliefs were inaccurate: Soviet goals for the international order were in fact incompatible with those of the US, and Soviet cooperation in 1943-44 was a misrepresentation of their true goals. The power shift game illustrates why Soviet signals *should* have been seen as non-credible, if the Roosevelt Administration had properly understood that in the absence of overt US opposition, a rising Soviet Union had a strong incentive to misrepresent its future intentions. Furthermore, it indicates that in adopting a strategy of reassurance in 1943, Roosevelt failed to recognize the effect that an overt strategy of limited prevention would have in enhancing the credibility of Soviet signals. By removing US opposition, reassurance instead increased the Soviet Union's incentive to misrepresent, and obscured its true goals for the international order. The US adopted this policy under the assumption - consistent with the optimist model - that emerging Soviet non-cooperation was due to insecurity and fear of US intentions, rather than incompatible goals. Yet Soviet leaders were in fact fully informed of US goals for the international order, which the US had made no secret of and which, as the state projected to decline, it had no incentive to misrepresent.

By adhering to the logically-flawed optimist model, US statesmen formed incorrect beliefs about Soviet preferences in response to Soviet cooperation. As a

result, the US adopted a suboptimal policy toward the Soviets through the end of the war, accommodating the rising power of a revisionist Soviet Union and conceding numerous aspects of the international order to Soviet control. Yet as the power shift game predicts, optimistic beliefs about Soviet goals after 1943 mitigated, but did not eliminate, the United States' preventive motivation. Even at the height of optimism about Soviet intentions, the US continued to covertly hedge against rising Soviet power due to residual uncertainty and the high degree of vulnerability to future revision engendered by the large PPS, withholding nuclear technology from the Soviets and planning to use US economic power to gain postwar leverage over Soviet behavior. This strategy of mild hedging contradicts both the optimist prediction that increasingly optimistic US beliefs and sustained Soviet cooperation in 1944 should have resulted in full US accommodation of the Soviet Union, and the pessimist prediction that the large PPS should have compelled the US to adopt strong preventive measures regardless of its beliefs.

4.2 Soviet and American Beliefs and Preferences in 1941

4.2.1 United States

The United States entered the war seeking to create a postwar international order that satisfied liberal American goals. Paramount among these were an open international economy characterized by equality of economic opportunity in all global markets, self-determination and democracy for all nationalities, and the formation of an international collective-security institution that would legalize and "lock-in" cooperation among great powers. These three pillars of American liberalism were

thought in the United States to be necessary to ensure postwar peace, political stability, and economic prosperity, both for the United States and for the rest of the world. Roosevelt argued in 1940 that the war in Europe was caused by the "destructive minefield" of trade restrictions, and said that the US "must see to it that we get our fair share in world markets" (quoted in Gaddis, 1972, pp. 18-23). Most pernicious in the eyes of American statesmen were exclusive spheres of influence, which implied not only "power politics" of political and military rivalry, but also closed economic blocs that would restrict American access to foreign markets and threaten to plunge the US and the rest of the world back into depression. Roosevelt and his advisers, especially Secretary of State Cordell Hull, were willing to maintain and tolerate the "special interests" of great powers in particular regions - such as those of the US in the Western Hemisphere - as long as they remained economically open to the rest of the world on equal terms, and there was no interference in the domestic politics of smaller states (Mark, 1981). The President and the State Department therefore considered it essential that all regions - including Eastern Europe and the Soviet Union itself - be integrated into an open international economy and regulated by universal global economic institutions (Gardner, 1970, p. 28; Kimball, pp. 43-45, 50).

At the outset of the war, American policymakers believed that the Soviet Union's preferences for the international order were highly incompatible with those of the US. In addition to ideological aversion to communism, Americans had observed Soviet actions throughout the 1930s that indicated it was motivated to promote worldwide revolution and to expand its own power at the expense of non-communist regimes. The spread of communism not only threatened political freedom, but also commercial opportunities for the US, since trade and investment would likely be shut out or discriminated against by communist countries.

In addition, the brutality of the Stalinist purges of 1938 shocked Americans, and confirmed the repulsive nature of the communist regime. As importantly, the Nazi-Soviet pact indicated to US statesmen that the Soviets found a liberal-international order equally objectionable to a Fascist order under Nazi Germany, and was willing to abet the German expansion at the expense of the Western Allies (Gaddis, 1972, p. 4). Military planners refused to coordinate strategy with their Soviet counterparts, citing their distrust of the "communistic theory of government" and the past history of Soviet "unreliability," and the State Department treated Soviet approaches with reserve until the Soviets had satisfied them that it was "not merely engaging in maneuvers" (Stoler, p. 52). When Germany invaded the USSR in 1941, many prominent Americans, including Harry Truman, thought the best outcome would be for the war to devastate both sides equally. The State Department was filled with Soviet experts, such as George Kennan and former Ambassador to Moscow William Bullitt, who adhered to the "Riga axioms" that the Soviet Union was implacably hostile, sought global domination, and could only be dealt with using force. Roosevelt put the USSR in the same class as Nazi Germany as a vile, totalitarian state: Russia "is run by a dictatorship as absolute as any other dictatorship in the world" (Yergin, pp. 17-41, quote p. 50; Glantz, pp. 43-48).

However, there was also considerable uncertainty in American beliefs about Soviet goals. The Soviet Union was no longer seen as entirely ideologically-driven. Stalinism was alternately portrayed in the US as a Thermidorian restoration of capitalism, an evolutionary development of Bolshevism that was converging with Western social democracy, and a form of totalitarianism that was functionally equivalent to fascism and had no ideological content other than the retention of power for Soviet political elites (Mark, 1989, pp. 939, 942). State Department Soviet expert Charles Bohlen said in 1940 that Marxism was no longer an active

element in Soviet foreign policy, it was merely the trappings of a statist foreign policy focused on maximizing Soviet power and security. Despite his antipathy to Stalinist dictatorship, Roosevelt said after the Nazi invasion of the Soviet Union in June 1941, "I don't think we need to worry about any possibility of Russian domination" if the Soviets defeated Hitler (quoted in Yergin, p. 50). He charitably characterized the Soviet system as moving toward a modified form of state socialism, while the US moved toward greater equality, remarking that they would converging from being at zero and one hundred on a hundred point political spectrum to around sixty and forty (Kimball, 1991, pp. 198-199). Thus, while American leaders were quite apprehensive of Soviet intentions, most in the Roosevelt Administration were open to the possibility that Soviet goals were compatible with the liberal goals of the United States.

4.2.2 Soviet Union

The Soviet Union had an inherent desire to construct and expand an alternative international order that would compete with the liberal one favored by the Western allies. The Soviets ultimately sought to propagate communist regimes throughout the world, with single-party dictatorships, command economies, and hierarchical international relationships with the Soviet Union at the top. This goal was rooted in communist ideology, but also had much to do with the Stalinist socioeconomic and political structure of the Soviet Union. As a Leninist command economy, the Soviet Union was compelled to pursue autarky in order to shield itself from the market mechanisms of the international capitalist economy.[1] Not only would

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[1] Stalin saw the Atlantic Charter principles as threatening to the Soviet Union, and the Open Door policy of non-preferential access to international markets as "as great a threat to a nation as a foreign invasion" (Kuniholm, 1980, p. 165, quote from Harriman and Abel, p. 538).

this allow the Soviet Union to develop its own high-value-added leading industries insulated from international competition in order to achieve higher growth, but it also allowed the state to control domestic prices, giving the Communist elites a stranglehold on Soviet society. By installing "friendly" socialist regimes throughout the world that were subservient to and politically and economically dependent on Moscow, the Soviets would then have complete access to the wealth and resources of those countries, without having to sacrifice economic autarky by trading with the non-communist world and jeopardizing their domestic political power (Pollock, 2001).

Stalinist ideology was embedded in the institutional structure of the Soviet state. The Ministry of Foreign Affairs (Minindel) was "inculcat[ed] with imperial ambitions, a strongly ideological orientation, and a tough spirit of battle." The entire state and party apparatus adopted "a class approach to international phenomena and, above all, to the activities of the allies." (quoted in Haslam, pp. 29-30). Stalin and Molotov saw their mission as expansion of Soviet frontiers, and applauded the imperial expansion of the tsars for making it "easier for us to struggle against capitalism" (Zubok and Pleshakov, p. 78). Molotov confirmed that during the war "we were on the offensive. [The US] certainly hardened their line against us, but we had to consolidate our conquests...to squeeze out capitalist order."[2] In 1945 Stalin referred to his democratic allies as one of two "enemy" capitalist factions, along with fascists, and declared that their "decay and mutual ruin" was "favorable for the victory of socialism" (quoted in Haslam, p. 32; Roberts, 2006, p. 236).[3]

Much of the literature on the origins of the Cold War claims that the Soviet

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[2] This quote is from Molotov's memoirs as reproduced in Gaddis, 1997, p. 30.

[3] "We are now with one faction [of capitalists] against another; and in the future we will also be against this faction of capitalists."

Union was primarily motivated by security concerns, and that its expansionist territorial and political objectives were the product of perceived external threats, rather than an inherent desire to revise the international order (Gaddis, 1972; Kimball, 1991; Leffler, 1992; Leffler, 1999; Mastny, 1996; Zubok and Pleshakov, 1996; Roberts, 1999). Yet although Stalin was certainly insecure, this insecurity was itself rooted in intrinsic beliefs and preferences derived from communist ideology that included an inherent ideological antipathy for capitalist societies and the liberal international order they supported (Haas, 2005). Soviet leaders defined their security in ideological terms, as "security" for a communist international order, rather in "realist" terms of survival of a Soviet state in the international system. As Vladislav Zubok writes, the Soviet goal of security was the flip side of its goal of regime-building in Eastern Europe (Zubok, 2007, p. 21). Indeed, had the Soviet Union been concerned only with existential or territorial security, that aim would have been much better served by refraining from expansion and cooperating under a US-led international order, in order to avoid provoking American opposition and minimizing the costs of governing an informal empire in Eastern Europe (Mark, 1981, p. 336; see also Lake, 1996). As Maxim Litvinov noted, Marxist-Leninist ideology impelled the Soviet Union to expand "far in excess of its reasonable security requirements" (Mastny, 1976; Gaddis, 1997).

Thus, Stalin saw the US as a security threat and anticipated future conflict with the Allies even at the height of wartime cooperation because he knew that his goals were fundamentally incompatible with theirs - once the USSR attempted to realize its preferred order, the US would oppose Soviet revision and would threaten their security, both territorial and economic/ideological. As Geoffrey Roberts argues,

Stalin's emergent goals were political and ideological as well as strate-

gic. The Europe that the Soviet leader sought to dominate would be a continent transformed by social and economic upheavals and by communist political advance. Stalin had every intention of maintaining the Grand Alliance into the indefinite future, but this aim was in tension with his emergent vision of a radical transformation of European politics (Roberts, 2006, p. 190-191).

Another commonly cited source of security-driven Soviet expansion is the prospect of a revived German threat, which ostensibly compelled the Soviet Union to expand into Eastern Europe and East Germany in order to create a buffer against a future German invasion. However, although the Soviets consistently expressed fears of German revival, there is substantial evidence that the Soviet Union's goals concerning Germany and Eastern Europe went beyond security. The German threat could have been minimized, if not eliminated, by Allied proposals at Tehran and Yalta that Germany would be, in Charles Bohlen's words, "broken up and kept broken up" such that "the Soviet Union would be the only important military and political force on the continent" (*FRUS: Tehran*, p. 846). Stalin had shared Bohlen's assessment of the impact of dismemberment, arguing at Tehran that "Germany should at all costs be broken up *so that she could not reunite*," thereby acknowledging that he thought suppression of German power was feasible (quoted in Roberts, 2006, p. 186, emphasis added). However, after the war the USSR reversed its support for dismemberment and rejected repeated US proposals for German demilitarization. Furthermore, although the Soviets publicly advocated German dismemberment until early 1945, they privately planned to maintain a unified Germany under communist control with collectivized agriculture and a state-directed economy, and Stalin assured German communists in January 1945 that dismemberment was not actually being contemplated (Loth, 1996, pp. 24-27;

Mastny, 1979, pp. 128, 146, 233-237).

4.3   Early War: 1941-1943

In the summer of 1941, the Soviet Union was not projected to rise much, if at all, in the postwar world. Although the USSR had enormous power potential given its size, resource wealth, and capacity for rapid, state-led industrialization, the devastation of the war made Soviet potential unlikely to be realized in the foreseeable future. Even with a decisive victory over Germany (which was far from assured), the USSR was projected to emerge from the war broken and weak (Stoler, pp. 51-55; Kimball, pp. 30-31; Gaddis, 1972, p. 5; Haslam, p. 10). Although the Red Army briefly gained the initiative in the winter of 1942 following a successful defense of Moscow, a disastrous spring offensive followed by Hitler's devastating Barbarossa campaign into southern Russia that summer once again put the Soviets on the brink of defeat, with a desperate defense of Stalingrad the only thing impeding the German advance into the Russian interior (Roberts, 2006, pp. 83-148). Thus, through the beginning of 1943, although an Allied victory was expected to result in an increase in Soviet influence in Europe, the Soviet Union was hardly projected to rise enough to challenge the US in the postwar world (Kimball, pp. 70-71, 76; Gardner, 1970, p. 33).

Under these conditions, the power shift game expects the Soviets, desperate for Allied assistance against Germany, to exhibit highly cooperative behavior toward the US. In response, American policymakers should not have updated their beliefs about Soviet preferences, but instead have attributed the USSR's cooperation to the massive external constraints it faced. Yet the US would still be expected to

accommodate the Soviet Union, because those constraints were expected to persist into the future and induce the Soviets likely to continue to behave cooperatively, regardless of their underlying preferences, and because any modest increases in postwar Soviet power would not significantly increase US vulnerability to Soviet revision.

4.3.1 Soviet behavior: cooperative, but highly constrained

As the power shift game predicts, the Soviet Union began to exhibit cooperative behavior toward the United States and Great Britain almost immediately following the German invasion in June, 1941. That summer, Stalin repeatedly invited both the US and Britain to send their troops to fight "on any part of the Russian front, under the complete command of the American Army" (quoted in *FRUS, 1941*, vol. 1, p. 814; see also Roberts, 2006, pp. 102, 139; Harriman and Abel, p. 88). This was an astonishing concession, given how jealously Stalin guarded Soviet sovereignty before and after the war.

The exigencies of war also induced Soviet cooperation over the shape of the postwar order. Stalin's initial terms for a formal alliance with Britain in 1941 included recognition of Soviet territory acquired in the Molotov-Ribbentrop Pact. However, in the spring of 1942 he withdrew this condition in response to American protestations that no territorial agreements be made until after the war (Gaddis, 1972, 16-17; Gardner, 1993, pp. 138-9). The Soviets also tailored their proposed terms for the Anglo-Soviet Alliance to appeal to the sensibilities of Britain and the United States, including military bases for Britain throughout Western Europe, independence for Austria, and a restoration of the Sudetenland to Czechoslovakia (Mastny, 1979, pp. 42-44). After accepting a mutual security agreement with-

out territorial concessions, Stalin cabled Churchill that he was "certain that this treaty will be of great importance in promoting friendly relations...between our two countries and the United States" (quoted in Dallek, p. 341).

Stalin made these concessions with the implicit understanding that in exchange, the Allies would open a second front in Europe, and he continued to implore them to do so (Filitov, 1994, p. 98; Roberts, 1999). Yet despite his obvious disappointment at repeated delays in the second front, Stalin expressed outward enthusiasm in late 1942 for Allied plans for an offensive in North Africa in 1943, and cited several "outstanding advantages" of Churchill's proposal to attack the "soft underbelly" of the Axis via Tunisia and the Italian Peninsula. In his correspondence with Churchill and Roosevelt, Stalin accepted that a European offensive would be more likely to succeed if delayed until the end of the year, and insisted to his allies that disagreements over the timing of the second front were "not a case of mistrust, but only a divergence of view" (Gaddis, 1972, p. 71; Dallek, p. 351; quote from Roberts, 2006, pp. 138, 140). The Soviets were generally quite fulsome in their thanks for Allied aid, highlighting supply agreements in the official press as well as ad hoc instances of Western support, publicly praising the efforts of their allies despite their private dissatisfaction and cynicism, and conveying optimism about the prospects for continued postwar cooperation (Roberts, 2006, p. 164; Harrison, 2005).

The Soviet Union also cooperated with the western Allies by suspending its overt support of the transnational communist movement. In the wake of the German invasion, the Soviets directed communist parties throughout Europe to form "national fronts" in alliance with other anti-fascist groups on both the left and the right, and instructed them to "abstain from anything that might convey the

impression of aiming at sovietization." In 1942 Molotov graciously abandoned his alliance negotiations with Yugoslavia in response to Allied objections to bilateral treaties, and sought conciliation with the rightist Yugoslav government (Mastny, 1979, pp. 57-58, 62-63, 67-71; quoted in Mark, 2001, pp. 15-17). Most striking was Stalin's disbandment of Comintern, the coordinating body of the transnational communist movement, in the spring of 1943. One important reason for disbanding Comintern was to obscure Soviet pursuit of ideological expansion (Gaddis, 1972, p. 33). Yet it was also calculated to simultaneously increase the power and appeal of the international communist movement in the hope of fostering postwar communist domination of national governments. Even as Moscow promoted the formation of "national fronts" abroad, it continued to direct foreign communist parties and train their cadres in the Soviet Union (Ulam, 1974, p. 346; Mastny, 1979, pp. 71, 94-97; Roberts, 2006, pp. 168-169, 172).

The Soviet Union's cooperation in the early years of the war was thus a clear misrepresentation of its revisionist aims, taken under extraordinary circumstances in which the USSR was desperate to secure American and British cooperation against Germany. "As long as we are being pressed by the Germans, we should avoid any major, serious actions abroad," Molotov told an aide in 1941, but "when things start looking up for us, that is the time to deploy everything we have" (quoted in Haslam, p. 19). When setbacks on the Eastern Front in winter 1942 once again imperiled Soviet survival, Stalin saw Lend-Lease aid and the opening of a second front as the most effective means of achieving the "correlation of forces" necessary for the Soviet Union to restore its 1941 borders militarily. Thus, Stalin readily withdrew his territorial demands, reasoning that the absence of a well-defined territorial agreement would give the Soviet Union "a free hand" for expansion later in the war, as the Red Army advanced into Eastern and Central

Europe with aid from the West (Roberts, 2006, p. 115; Mastny, 1979, pp. 43-54). "The question of frontiers," Stalin wrote to Molotov, "will be decided by force" (Filitov, 1994, p. 98; Roberts, 1999, p. 664; Mark, 2001, p. 11).

4.3.2 US beliefs: no updating

As the power shift game predicts, US policymakers attributed the Soviet Union's cooperation in the early years of the war to the highly constrained circumstances it faced rather than its compatible preferences for the international order. Accordingly, they did not update their beliefs about Soviet preferences in response to these cooperative signals.

The Allies clearly viewed Stalin's withdrawal of his previous condition for a formal alliance with Britain that the USSR's 1941 borders be recognized as a cooperative behavior. Churchill expressed to Roosevelt that the treaty was "free from the objections we both entertained, and...entirely compatible with our Atlantic Charter" (Churchill to Roosevelt, June 4, 1942. Quoted in Dallek, 341). Yet because US policymakers had fully expected the Soviets to behave cooperatively regardless of their true goals, this signal did not lead to any change in American beliefs. Roosevelt declared to Churchill his conviction that the Russians would continue to cooperate in the absence of a political treaty, and not "quit the war" over the boundary issues (Dallek, 338). The US Ambassador to London wrote that "our relations with the USSR are now on an entirely different and far more satisfactory footing," but attributed Soviet acquiescence to being "deeply interested in a second front" (quoted in Gardner, 1993, pp. 138-9).

Likewise, although American observers viewed Stalin's abolition of the Com-

intern as cooperative, the large majority of them dismissed it as a transparent attempt to convince the Allies that Soviet preferences were compatible, without changing the substance of Soviet aims or activities regarding the international order. Although Comintern was dormant even before it was disbanded, the State Department concluded in May 1942 that "we have no information which would cause us to believe that it is not continuing quietly to function with headquarters in the Soviet Union," and in 1943 that one of the USSR's main objectives "was the creation of well-disposed and ideologically sympathetic governments in nearby areas" (quoted in Gaddis, 1972, 47-51).

US leaders therefore retained largely pessimistic beliefs about Soviet intentions through mid-1943. Military intelligence reported that the Soviets were likely to seek political hegemony in Eastern Europe and influence in Western Europe, the Middle East and Asia, and that the USSR would act "only by her own interests" and not in the spirit of the alliance (Stoler, pp. 124-125). The State Department predicted that "if we show the slightest weakness...the Soviet Government will at once bring tremendous pressure on us, and in the end our relations will be unfavorably affected" (quoted in Glantz, p. 109). In early 1943, Roosevelt's personal confidant and former Ambassador to the USSR William Bullitt warned the President that Soviet expansion in Europe was as great a threat as that of Nazi Germany. "Stalin's aim is to spread to power of communists to the end of the earth," said Bullitt. "He will not stop. He can only be stopped." Roosevelt agreed that Bullitt's reasoning was sound, but as an inveterate optimist, he chose to play his "hunch" that Stalin's intentions were benign. Yet even FDR was highly uncertain about Soviet goals, directly posing the question to British Foreign Minister Anthony Eden of whether postwar cooperation with the Soviets was possible in spring, 1943 (quoted in Gaddis, 1972, pp. 55, 63-64).

4.3.3 US foreign policy: accommodation

Nevertheless, despite the continued negative beliefs among American policymakers about Soviet intentions, the US was vigorously supportive of the Soviet Union in the early years of the war. Shortly after the German invasion of the Soviet Union, Roosevelt sent Harry Hopkins, his closest personal aide, to Moscow to assess Soviet prospects for survival and find ways to offer American support to the Soviet war effort. In response to Hopkins' optimistic report that the Soviets could survive with US assistance, the Roosevelt administration immediately extended unlimited and unconditional Lend-Lease aid to the USSR. Roosevelt extended Lend-Lease to the Soviets in 1941 both to keep the Soviets in the war and to reassure them that the US planned to accommodate Soviet power and interests after the war. Even when Soviet military fortunes improved after victories at Moscow and Stalingrad in the winters of 1942 and 1943, respectively, the US did not cut back aid or attach conditions, as a few advisors suggested. Having no restrictions on their orders, the Soviets therefore requested, and received, large amounts of non-military goods that allowed them to begin their economic recovery even as the war was ongoing. Unconditional Lend-Lease aid was therefore a quintessential accommodation of Soviet power through 1943, not only preventing it from being conquered, but also offsetting much of the economic devastation it suffered during the war, rapidly modernizing the Soviet military, and facilitating expansion of Soviet influence in Eastern Europe (Harrison, 1995, pp. 70-77; Taubman, pp. 34-35; Roberts, 2006, p. 164).

The early American war effort went far beyond mere economic and diplomatic support for the Soviets. US military strategy was consistently calculated to maximize the probability of decisive Soviet victory given the military conditions at

the time (Stoler, pp. 84-102). A militarily-underprepared United States provoked Japan with economic sanctions in 1941 and absorbed costly defeats in the Pacific in 1942 in order to preclude a Japanese attack on the Soviets in the east (Stoler, pp. 55-56; 75-83). Roosevelt consistently pushed his military planners and the British to accelerated the timetable for the cross-Channel invasion. Although this resulted in overly optimistic estimates and a series of delays in the second front, in November 1942 the Allies launched the North African campaign that would knock Italy out of the war by the following summer. This was probably the most militarily-sound course of action, and the best way to immediately help the Soviets, given that the likelihood of a successful cross-Channel invasion before the end of 1943 was extremely low (Dallek, p. 367).

FDR was willing to make other concessions to keep the Soviets in the war. Although Stalin withdrew recognition of his 1941 borders as a condition for formal alliance, he did so just before the US was preparing to acquiesce to that demand. In 1942, Roosevelt and Churchill agreed that they would insist on Germany's unconditional surrender, in part to reassure a suspicious Stalin that the Western Allies would not make a separate peace with Hitler and leave the Soviets to fight Nazi Germany alone (Dallek, p. 373). Roosevelt and Churchill did not react badly to news of the Katyn massacre in Spring of 1943, and though they tried to mediate a resolution between the Soviets and Poles, they did so by promising to reorganize the Polish government to be more "friendly" to the Soviet Union (Davis, Chapter 2).

However, early American support for the Soviet Union was purely instrumental, directed at defeating a common enemy, and clearly not an indication of any underlying trust of Soviet goals. The State Department issued a statement in June

1941 following the German invasion of Russia that "any defense against Hitlerism, any rallying of forces opposing Hitlerism, from whatever source these forces may spring, will hasten the eventual downfall of the present German leaders, and will therefore redound to the benefit of our own defense and security" (quoted in Gaddis, 1972, p. 4). Head of the Joint Chiefs of Staff (JCS) George C. Marshall considered the prospect of Russian defeat devastating, as it would deprive the Allies of "an army of 8 million men," and to Commander in Chief of US Pacific forces Douglas MacArthur all that mattered was that the Russian armies are killing more Axis personnel and destroying more Axis materiel than the rest of the 25 United Nations put together" (quoted in Gaddis, 1972, p. 5). Military analyses noted that without the Soviet Union in the war, Germany's military position on the Continent would be "practically invulnerable." Roosevelt's primary reason for supporting the USSR was that it would "liberate Europe from Nazi domination." He based his extension of Lend-Lease to the Soviets on the premise that "the defense of the [USSR] is vital to the defense of the United States" and that "substantial and comprehensive commitments" of aid to Russia were "of paramount importance to the safety and security of America" (quoted in Taubman, p. 34; Stoler, pp. 53-56).

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In sum, the early years of the war bear out the logic of the power shift game under a small PPS. A weakly rising state's cooperative behavior is not a very credible signal of its underlying goals for the international order, due to the high constraints it faces. Yet because the riser's behavior is expected to remain highly constrained in the future, it is likely to continue to cooperate regardless of its underlying goals. Moreover, the decliner will not become substantially more vulnerable to revision by the riser in the future. Thus, despite continued uncertainty about the riser's

true goals, declining states should reciprocate cooperation by rising states under a small PPS.

In 1941-42, although the Soviet Union was expected to emerge as an influential great power in the postwar world should the Allies defeat Germany, the devastation of the war and the likely lack of a decisive victory in the East limited the prospects for the subsequent growth of Soviet power. Given that the Soviet Union was expected to continue to face high constraints after the war from the more-powerful United States (and to a lesser extent Great Britain), and given the enormous benefits to be had by cooperating with the Soviets in the present against Germany, the US had every incentive to accommodate the Soviet Union, regardless of their beliefs about underlying Soviet goals. The Soviets, aware that cooperation would allow them to avoid opposition from the US and secure Allied aid in their war effort, likewise had every incentive to misrepresent their incompatible goals. Thus, US leaders rightly attributed Soviet cooperation to the external circumstances that they faced, and did not update their beliefs in response.

4.4 The Effects of Shifting Postwar Power Projections, 1943-44

By mid-1943, the size of the PPS had increased significantly. The tide of the war in the East began to turn with the success of the Soviet defense of Stalingrad in the winter of 1943. The significance of that victory was not initially appreciated by either the Soviet or American leadership, but the rapid gains made in the Soviet counteroffensive, followed by decisive victories in massive battles at Kursk and Karkhov in the summer of 1943, made it clear that the Soviet Union would not only

survive the war, but would defeat Germany regardless of whether the Allies opened a second front in Europe (Kimball, p. 70; Gaddis, 1972, p. 74; Roberts, 2006, pp. 155, 167). Such an outcome would result in Soviet military preponderance in Eastern Europe, and perhaps even Central and Western Europe as well depending on subsequent American and British actions. As projected Soviet military gains increased over the course of 1943, American planners acknowledged that there was little the US would be willing to do to challenge Soviet power in Eastern Europe (Stoler, pp. 124-129; Davis, pp. 76-80). Coupled with the Soviet Union's vast population and resource endowments and its growing industrial capacity, these military developments portended the rise of a Soviet superpower in the post-war world.

The power shift game predicts that as projections of postwar Soviet power increased, making the US more vulnerable to Soviet revision in the future, the US should have adopted a hedging strategy of partial containment even in response to continued Soviet cooperation. This limited preventive strategy in turn, should have reduced the incentive for a hostile Soviet Union to misrepresent, prompting it to attempt immediate revision. However, because a hostile Soviet Union would be less likely to misrepresent, continued Soviet cooperation should have become more credible to US leaders as a signal of benign Soviet intentions.

These predictions contrast with both the optimist and pessimist signaling models. Pessimists hold that the Soviet incentive to misrepresent should have increased with the size of the power shift, thereby compelling Stalin to continue his cooperative policies from 1941-42. US leaders, in turn, should have dismissed cooperative Soviet signals as non-credible, and adopted a hard-line preventive strategy in response to high uncertainty and high future vulnerability. On the other hand, the

optimist signaling model predicts that the US leaders should have been most concerned with avoiding conflict with a truly benign Soviet Union, and sought to prevent an unnecessary spiral of mistrust by reassuring and accommodating the Soviets. In response to cooperative reciprocation by the Soviets, optimists hold that US leaders should have positively updated their beliefs and continued its policy of accommodation.

Although there is some evidence that actors responded to the incentives of the power shift game, this section most closely bears out the predictions of the optimist model. As the power shift game predicts, Roosevelt initially responded to the improvements in Soviet postwar prospects by adopting elements of a hedging strategy. This prompted the Soviets to begin to press their revisionist postwar aims more assertively in the Summer of 1943. However, instead of updating in response to Soviet non-cooperation and escalating containment, US officials attributed Soviet actions to insecurity and fear of Anglo-American intentions. As the optimist model predicts, Roosevelt adopted a policy of concerted reassurance toward Stalin, which successfully convinced the Soviet leader that he could avoid opposition by continuing to cooperate. In response to cooperative Soviet actions and agreements at tripartite Allied conferences at Moscow and Tehran in late 1943, US leaders dramatically updated their beliefs that Soviet goals were compatible. Yet the power shift game correctly predicts that given these newly optimistic US beliefs, Roosevelt adopted a generally accommodating policy toward the Soviet Union, but also continued to clandestinely hedge against rising Soviet power throughout 1944.

Furthermore, despite its predictive failure, the power shift game provides a valuable lens through which to assess the efficacy of US decisionmaking. The power shift game implies that US leaders erred on two counts. First, by adopting

a policy of reassurance toward a rising Soviet Union, the US increased Stalin's incentive to misrepresent his revisionist goals, and reduced the objective credibility of cooperative Soviet signals. Second, given this lack of credibility, US leaders were wrong to update their beliefs in response to Soviet cooperation in the absence of US opposition. As a result, US leaders were excessively optimistic in 1944 that Soviet goals for the international order were compatible with their own, and continued to facilitate the rise of Soviet power and influence over the postwar order through the end of the war.

4.4.1 Initial Soviet Beliefs and Actions, Mid-1943

Through the early part of 1943, Soviet decisionmakers did not expect Britain and the US to continue wartime cooperation in the post-war era. In accordance with the logic of the power shift game, the Soviet Union anticipated that their allies would attempt to contain rising Soviet power as its postwar prospects improved. An internal Soviet memo published in August, 1942 concluded that the Allies were genuinely willing to assist the Soviets in order to prevent a Nazi victory, but were delaying a second front in order to weaken the Soviet Union as much as possible (Roberts, 2006, p. 136). The Soviets frequently couched their requests for materiel as demands that belied their suspicion that the US was withholding aid (Taubman, pp. 39-40; Dallek, p. 343, 350). "The paucity of your offers," Stalin told Roosevelt's Special Envoy Averell Harriman in September "clearly shows that you want to see the Soviet Union defeated" (Harriman and Abel, 1975, p. 89). Roosevelt's misleading promise in May to open a second front by the end of the year exacerbated Soviet fears of containment when Churchill was forced to concede in August that a peripheral campaign in North Africa was the best the Anglo-

Americans could do in 1943, prompting Stalin to reply, "I respect open enmity, but not broken commitments from Allies!" (quoted in Costigliola, pp. 169-175; see also Gaddis, 1972, pp. 68-72; Gardner, 1970, p. 37; Glantz, p. 154; Mastny, 1979, p. 49). Stalin wrote his ambassador to London in October that "All of us in Moscow have formed the impression that Churchill is intent on the defeat of the USSR," and continued to make similar assertions about the Allies well into the following year (quoted in Roberts, 2006, pp. 141-142; Haslam, p. 13). Deputy Commissar for Foreign Affairs Ivan Maisky noted that the United States was planning to "establish a Catholic and anti-Bolshevik bloc in Southern Europe," and made repeated diplomatic attempts to dissociate the Anglo-American partnership (quoted in Harbutt, pp. 107-108). As late as August 1943, following Italy's surrender, Stalin sharply accused the US and Britain of deliberately excluding Soviets from Italy and postwar planning more generally, relegating the Soviet Union to the role of "passive third observer," a situation, Stalin said, that "cannot be tolerated any longer" (Butler, 2005, doc. 104, p. 155).

In keeping with the logic of the power shift game, this anticipation of unconditional containment from the Allies reduced the Soviet incentive to misrepresent their true goals. Although the Soviets clearly desired to maintain Big Three cooperation after the war in order to build up power for revision in the future, their doubts about the feasibility of doing so made it prudent to attempt revision wherever it became feasible, rather than forgoing these opportunities in a vain attempt to avoid incurring opposition from their allies. Thus, the Soviet Union's behavior at first became less cooperative as its projected post-war power increased with the victories of 1943.

In the spring of 1943, the USSR severed diplomatic relations with the Pol-

ish government-in-exile in London, and set up a "friendly" government of Polish communists in Moscow, after the London Poles demanded an international investigation into the discovery that several thousand Polish officers had been massacred near the city of Katyn. It is now clear that this was a gambit to gain Soviet control over Poland by installing a government of "Poles one could talk to": Stalin adhered to this policy despite US and British forbearance, and even after the London Poles dropped their calls for investigation (Davis, 1973, pp. 45-56; Dallek, 401; Mastny, 1979, pp. 76-78, 93-94, 138). The Soviets also formed a communist shadow government for Germany in July, which contributed to widespread rumors in the US of Russo-German peace negotiations. It is likely that the Soviets were at least receptive to peace feelers from Germany in the summer of 1943, in light of their perceptions that Britain and the US were free-riding on the Soviet war effort and Stalin's resistance to a tripartite Allied policy of unconditional surrender (Gaddis, 1972, p. 73; Stoler, p. 135; Mastny, 1979, pp. 73-85). In response to being excluded by the Americans and British from the negotiations for Italy's surrender, Stalin abrasively demanded the establishment of a tripartite military-political commission that would allow the Soviets to share in the governance of Italy and all other liberated states in Europe. This incident was plainly a Soviet attempt to grab influence over the postwar political systems of Western Europe, at a point in the war when it was still unclear that the Red Army would occupy significant territory beyond its own borders (Gaddis, 1972, pp. 88-90; Mastny, 1979, pp. 106-108).

Stalin made little attempt to hide his distrust for Roosevelt and Churchill. He referred to their justification for suspending Lend-Lease shipments due to German submarine attacks "wholly unconvincing" and repeatedly shamed and cajoled them for refusing to engage the main German forces, even as the Soviets suffered extreme

losses (Gaddis, 1972, p. 74). Stalin complained throughout the first half of 1943 that "the Red Army alone is bearing the whole weight of the war," that further delays in the second front were fraught with "grave danger" and "adopted without [Soviet] participation," and warned that Soviet "confidence in its Allies...is being subjected to severe stress" (Goldberg, 1993, vol. 4, pp. 215-219).

4.4.2   US Beliefs and Actions, Mid-1943

Prior to the first tripartite meetings on the postwar order at Moscow and Tehran in late 1943, US officials remained highly uncertain about Soviet willingness to participate in the liberal international order that they envisioned. For Hull "at the beginning of 1943, Russia was a complete sphinx to all the other nations in the world." US leaders saw two possibilities: either the Soviet Union would choose "isolation, territorial expansion, and heavy armament," or it would adopt a policy of "international cooperation and integration." Assistant Secretary of State Adolf Berle , "the organizing principle of postwar Europe would either be on Stalinist lines, or it will be along liberal and individualist lines," and while Stalin's preference within the Soviet Union was obviously the former, his vision for Europe and Soviet international policy was very much up in the air (quoted in Gardner, 1993, pp. 148-53). A State Department memo in September 1943 observed that the Soviet Union's expansionist claims in Eastern Europe could be explained by "a deep organic suspicion of any and all non-Soviet governments" rather than a broader preference for revision. However, it concluded that "the Soviet Government has not clearly committed itself either by its actions or by the pronouncements of its leaders...to follow one consistent line of foreign policy," therefore, "evidence concerning Soviet intentions in Europe at this time is inconclusive" (quoted in

Davis, pp. 68-69). Roosevelt repeatedly expressed doubt that he could get Stalin to agree to limit westward Soviet expansion at present, yet remained hopeful that if the Allies could establish a strong pattern of cooperation in defeating Germany, the Soviet Union's external threats would be eliminated and Stalin would have no reason to jeopardize the benefits of cooperation by attempting to revise the international order (Mastny, 1979, p. 108; Kimball, pp. 93-101). British Foreign Minister Anthony Eden recalled that when the President asked his opinion on Soviet intentions in March 1943, "the big question which dominated Roosevelt's mind was whether it was possible to work with the Soviet Union now and after the war" (quoted in Kimball, pp. 84, 87).

However, contrary to the predictions of the power shift game, in the early years of the war American leaders were *not* primarily concerned about the possibility that a truly hostile Soviet Union would misrepresent its incompatible preferences, causing the US to fail to balance its rising power and resulting in undesirable revision in the future. Rather, consistent with the optimist model, the foremost fear among American statesmen (particularly Roosevelt) was that Soviet mistrust of *US* intentions would lead to a spiral of hostility and unnecessary conflict with a Soviet Union that actually shared the US preference for a liberal international order. This is evidenced by the fact that US officials attributed non-cooperative Soviet behaviors from 1941-1943 to the USSR's insecurity in response to the German invasion and its apprehensiveness regarding "capitalist encirclement", rather than to incompatible Soviet goals (Gardner, 1970, p. 37). Because they could be readily attributed to Soviet insecurity, these actions therefore did not prompt US policymakers to negatively update their beliefs about Soviet intentions for the postwar order.

Stalin's territorial demands in 1941 were expected by Britain and the US, and seen as a reasonable means of achieving legitimate Soviet security goals (Roberts, 1999, pp. 663-664; Mastny, 1979, p. 50). US leaders were likewise sympathetic to the often demanding tone of the Soviet Union's requests for military aid in light of the dire situation it faced through 1942, when its economy was "on the knife edge of collapse" (Roberts, 2006, p. 164; Harrison, 2005). FDR told Churchill that the Soviets "do not use speech for the same purposes that we do," and said of Stalin in 1942, "We have always got to bear in mind...the difficult and dangerous situation which confronts him. No one can be expected to approach the war from a world point of view whose country has been invaded." (quoted in Dallek, pp. 354, 351).

The US was also highly sensitive to the effect of its own actions and superior capabilities on Soviet insecurity. Although Roosevelt and especially Churchill bristled at Stalin's frequent recriminations and demands in response to delays in the second front and interruptions in Lend-Lease shipments, these accusations were typically accepted as "very natural" and "not too bad." Joseph Davies, Roosevelt's special envoy to Moscow, reported that the Soviets believed that the Western Allies wanted "a weakened Russia at the peace table and a Red Army that is bled white," and warned that "If Great Britain and the United States fail to deliver on the western front this summer, it will have far reaching effect upon the [Soviets'] participation in the peace" (quoted in Dallek, pp. 350-353, 382). US Ambassador to Moscow William Standley commented in 1942 that failure to fulfill the promise of a second front would leave the Russians "so deluded in their belief in our sincerity of purpose...that inestimable harm will be done to the cause of the United Nations," and Stimson concurred that "Stalin won't have much of an opinion of people who have done that to him, and we won't be able to share much of the postwar world with him" (quoted in Gaddis, 1972, pp. 69, 73).

Reassurance as a (false) screening mechanism

Because American statesmen were primarily concerned about the prospect of unnecessary conflict with a benign, but insecure, Soviet Union, they sought to remove the sources of Soviet insecurity and distrust in order to determine whether these factors were actually driving Soviet non-cooperation in 1943, or whether Soviet preferences were actually incompatible with those of the US. In other words, following the logic of the optimist signaling model, US policymakers saw reassurance as a "screening" mechanism that would allow them to distinguish whether the Soviet Union held hostile intentions, or if its antagonistic behavior had merely been a fearful response from a truly benign actor.

Roosevelt and his advisors expected that if Soviet and American preferences were compatible, Stalin would respond favorably to American proposals for a liberal postwar international order at the Moscow and Tehran conferences in the fall of 1943: a collective security organization, self-determination and free elections in Europe, and an open international economic regime. On the other hand, they expected that the Soviets would *not* cooperate at Moscow and Tehran if their preferences were truly incompatible, as alleviating Soviet security fears would not alter their inherent desire for revision (*FRUS, 1943*, Vol. 1, p. 542; Feis, pp. 174-175; Dallek, p. 418). Furthermore, US policymakers expected that these proposals would reassure a benign Soviet Union about American intentions and alleviate their fears of a revived German threat, which would prompt the Soviets to drop their security-motivated territorial and political demands in Eastern Europe and Italy. In response to former Ambassador to Moscow William Bullitt's 1943 admonition that the Stalin was a "Caucasian bandit" and that the US should implement a policy of full containment as soon as possible, Roosevelt replied that

"I just have a hunch that Stalin is not that kind of man...that he doesn't want anything but security for his country, and if I give him everything I possibly can and ask nothing from him in return, *noblesse oblige*, he won't try to annex anything and will work with me for a world of democracy and peace."[4]

FDR's understanding of the effects of reassurance on the credibility of Soviet signals was shared by other US officials. Harriman believed following the Moscow Foreign Ministers' Conference that if the Soviets were "satisfied" with US cooperation during the war, that they would "make important concessions to further the new intimacy," but if not, then a distrustful Soviet Union would be too fearful of US intentions to cooperate (quoted in Dallek, p. 423). Harriman, along with his colleagues in the State Department, postulated throughout 1943 that if Soviet territorial demands grew out of fear of US opposition and German revival, then the solution was to establish a collective security organization that would institutionalize American cooperation and alleviate Soviet insecurity. Given such a commitment by the US, these officials expected that a benign Soviet Union would relax its territorial demands and embrace self-determination and economic integration. A September memo predicted that

"if the Soviet Union comes to an agreement...for participation in a general system of collective security, it would be more likely to respect the independence of East European nations and permit normal relations between them and other powers. If, on the other hand...Europe is divided into spheres of influence, the Soviet Union probably would...insist

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[4]This quote is from a 1948 interview with Bullitt in *Life* magazine reproduced in Gardner, 1970, p. 27 and Gaddis, 1972, p. 64.

on more complete, perhaps exclusive, political and economic domination" (quoted in Davis, pp. 84-85).

Even before the increase in the PPS, the US adopted a policy of reassurance designed to alleviate Soviet fears of US intentions and of a future threat from a revived Germany. As early as March 1942, Roosevelt told Soviet Ambassador Maxim Litvinov that he was determined not to leave Russia vulnerable to a renewed German threat after the war, and that he "did not foresee any difficulties" over Soviet territorial claims. In May Roosevelt introduced his "four policemen" concept to Molotov, in which the US, USSR, Britain and China would continue to cooperate within a postwar Allied collective security framework, with each primarily responsible for providing security in different regions across the globe. At the same meeting, Roosevelt made a preliminary proposal to fund postwar Soviet reconstruction through interest-free loans, and promised the Russians a second front by the end of that year to demonstrate that the US was willing to pull its weight and encourage the Soviets to continue to hold out against Germany (Kimball, p. 85, Gaddis pp. 68-69).

FDR escalated these political and territorial concessions as projected Soviet postwar power increased in 1943. At Casablanca in January, he and Churchill declared their commitment to unconditional surrender, and Roosevelt advocated a plan for the dismemberment and "pastoralization" of Germany in order to assuage Soviet fears of an Allied separate peace and of an Anglo-American rehabilitation of Germany to balance against postwar Soviet power, respectively (Kimball, p. 99). In October, Harriman's first task as Ambassador to Moscow was to extend a preliminary offer of a postwar reconstruction loan and gauge Soviet interest in foreign trade, which he considered "the most important political as well as

economic problem that confronts them" (Paterson, 1973, pp. 34-36; quoted in Gaddis, 1972, p. 177-181).

Roosevelt also feared that overly-close collaboration with Britain would exacerbate Soviet perceptions of capitalist encirclement. Therefore, throughout 1943 Roosevelt and his aides consistently rejected Churchill's requests for meetings to coordinate Anglo-American strategy independently of the Russians for fear of "giving Stalin the impression that we are settling everything between ourselves before we meet him" (Kimball, pp. 90-91; quoted in Dallek, pp. 424-5). In September, American military planners rejected British proposals for a Mediterranean invasion of the Balkans and advocated recognition of Soviet preponderance in Southeastern Europe (Stoler, p. 129). At Tehran, Roosevelt went so far as to mercilessly tease Churchill for Stalin's amusement, and consistently sided with the Russians against the British on virtually every strategic issue (Dallek, p. 434).

American reassurance was most profound in the face-to-face meetings with the Soviets at the Moscow and Tehran conferences. At Moscow, Hull referred to the Eastern European issues of Polish boundaries and Baltic independence as "piddling little things," not worth alienating the Soviet Union over and jeopardizing Soviet cooperation on important issues, such as participation in the UN and integration into the international economy (Kimball, pp. 94-97). He assured the Soviets that the US wanted "to cooperate fully in the rehabilitation of war damage in the USSR," and Harriman informed the Soviet Commissar of Foreign Trade that "it would be in the self-interest of the United States" to extend a reconstruction loan to Russia (quoted in Gaddis, 1972, p. 177). He confirmed that the cross-Channel invasion would take place in the spring of 1944, and specified a date and commander at Stalin's behest. FDR's personal charm was also an effective diplomatic tool:

"[Stalin] laughed and came over and shook my hand. From that time on our relations were personal...the ice was broken and we talked like men and brothers." At both conferences, the Allies agreed to cede major strategic assets to Stalin in the Far East in exchange for his entry in the Pacific war, and promised Stalin warm water ports and military bases in strategic locations throughout Europe, including Soviet control of the Black Sea Straits. Roosevelt intended these actions to reinforce patterns of Soviet-American cooperation established during the war (quoted in Costigliola, pp. 196-197; see also Dallek, pp. 428, 434-436; Kimball, p. 94; Haslam, pp. 17, 47; Roberts, 2006, p. 185).

In sum, US leaders responded to the increase in the PPS that occurred during 1943 in accordance with the optimist signaling logic. In order to avoid unnecessary conflict with a benign, but distrustful, Soviet Union that shared US preferences for a liberal order, FDR went to great lengths to reassure Stalin that the US would reciprocate Soviet cooperation by accommodating rising Soviet power and conceding to limited, security-motivated Soviet demands. Although the Soviets had initially anticipated US containment as their power projection increased, which prompted them to preemptively begin pushing for immediate revision of the international order, US reassurance restored the Soviet incentive to misrepresent, as the following section will show.

4.4.3 Soviet Cooperation at Moscow & Tehran

Before the tripartite conferences at Moscow and Tehran in the fall of 1943, persistent delays in the second front, interruptions in Lend-Lease shipments, and exclusion from the governance of Italy - combined with inherent distrust of capitalist states - had instilled the Soviets with considerable apprehension about the

Allies' willingness to continue to aid the Soviet war effort and abet its postwar power position. Foreign correspondents in Moscow considered it likely that the Foreign Ministers Conference would be a failure (Mastny, 1979, p. 112). Yet the Soviets considered accord with the Anglo-Americans essential for achieving their revisionist postwar goals, and remained hopeful that opposition from the US could be avoided. Molotov recalled that "it was to our advantage to preserve the alliance with America. That was important" (quoted in Mark, 2001, p. 13). Additionally, Stalin had been impressed by Roosevelt's "Four Policemen" suggestion in the spring of 1942, and was informed by Soviet intelligence in September 1943 that "Roosevelt's stance in favor of establishing good relations with the USSR has strengthened above all [in response to the Soviets] breaking the German offensive at Kursk" (Roberts, 2006, p. 183; Mark, 2001, pp. 11-14; quoted in Haslam, p. 17). As a result, the Soviets adopted a flexible, adaptive approach to the Moscow conference to probe Allied receptiveness to a cooperative postwar framework.[5]

American reassurance leading up to and during the Moscow and Tehran conferences convinced the Soviets that the US would refrain from opposing their rise as long as they continued to cooperate, thereby increasing the Soviets' incentive to misrepresent their revisionist preferences. The Moscow and Tehran Conferences were lauded in the Soviet press as harbingers of a long, stable peace underpinned by continued Big Three cooperation, and the agreements were privately circulated as required reading in the Soviet diplomatic corps. To Stalin, the conferences signified that "relations between the Allies and the military co-operation of their armies is not weakening but strengthening and consolidating" (quoted in Roberts, 2006, pp. 179-180, 187). These assessments were echoed privately by top Soviet

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[5]Reflecting this adaptive approach was the Soviet choice to cede the contents of the Conference agenda almost entirely to the Anglo-Americans, submitting only one item for the agenda: the opening of the second front (Roberts, 1999, pp. 665-667).

diplomats throughout 1944. In January, Ivan Maisky, the Soviet ambassador in London, issued a memo containing his views on the postwar order. Maisky noted that the main Soviet goal - 30-50 years of peace during which the USSR could continue to rise, and eventually succeed in establishing socialism throughout continental Europe - was attainable, as long as Germany were "rendered harmless" and Soviet policy remained cooperative. He saw no conflicts between Soviet and American interests, and anticipated that Anglo-American rivalry would supersede the threat posed by the Soviet Union to either party. That July, ambassador to the US Andrei Gromyko drew identical conclusions in his own memo to Molotov, noting the US fear of revolution, but common interests in economic cooperation and the containment of Germany: "serious conflicts" were "unlikely at least for a certain period after the war." Commissar on the Postwar Order Maxim Litvinov concurred in November, writing that the Allies would continue to cooperate with the Soviets as long as Germany were dismembered and spheres of influence clearly delineated (quoted in Pechatnov, 1995; see also Roberts, 2006, pp. 229-234, Mastny, 1979, p. 132).

These conclusions were almost certainly consistent with Stalin's own opinions, as they could not have been circulated otherwise. Both publicly and privately, Stalin marveled at how minimal his differences with his allies were, both in number and in degree. He told Polish communists in October that "divergences in aims and views" were subordinate "to the establishment of a new set of relationships in Europe...there have not been any threats of disruption to the basic nature of the alliance" (quoted in Roberts, 2006, p. 198). In November, 1944, Stalin publicly stated his belief that the Grand Alliance "is founded not on casual, transitory considerations, but on vital and lasting interests," and that postwar unity would

be maintained through an international security organization.[6]

American reassurance led the Soviets to expect not only the absence of US opposition, but also that the United States would actively facilitate rising Soviet power after the war. In their efforts to reassure the Soviets that the their interest in postwar economic cooperation was genuine, Harriman, Roosevelt, and American business leaders framed their offers of postwar reconstruction aid and trade agreements as being in American self-interest as an important way of maintaining full employment and economic growth in the US after the war. The Soviets therefore interpreted American proposals of economic cooperation as being necessitated by the contradictions of capitalism, and were convinced that the US would be compelled to make these economic concessions in order to forestall its own economic crisis (Pechatnov, 1995; Haslam, pp. 34-35; Gaddis, 1972, pp. 186, 189; Mastny, 1979, p. 215).

As the Moscow and Tehran conferences progressed, Stalin's incentive to misrepresent once again intensified. Anglo-American concessions and Roosevelt's personal reassurances convinced Stalin that cooperation would allow him to avoid opposition from the western Allies, and that the United States would continue to do its utmost to aid the Soviet Union during the war and facilitate its rising power afterward. Maintaining cooperative behavior would therefore allow the USSR could to grow unencumbered, and even assisted, by the US, so that it would be able to achieve its revisionist goals in the future. Maisky's January 1944 memo lays out a strategy of cooperation designed to produce 30-50 years of "friendly relations with the United States and Britain," so that the Soviet Union "becomes so powerful as not to be threatened by any adversary in Europe or Asia" and that continental

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[6] From Stalin's speech at the celebration meeting of the Moscow Soviet of Working People's Deputies, November 6, 1944. Reproduced in Goldberg, 1993, vol. 4, p. 153.

Europe "becomes socialistic" (quoted in Pechatnov, 1995, pp. 2-6). According to historian Eduard Mark "Stalin's imperial ambitions and his desire to preserve the alliance were different aspects of a single policy. The wartime coalition was not an impediment to his ambitions...On the contrary, continued alliance with the Anglo-Americans was an essential condition for achieving his expansionist aims" (Mark, 2001, pp. 12-13; see also Gaddis, 1997, p. 31; Roberts, 1999, pp. 669-670).

As a result, the Soviets consciously sought to cultivate a benign image in the minds of the Allies. The Soviets responded positively to numerous American and British proposals for the postwar order. Stalin pledged to enter the war against Japan following the defeat of Germany even before specifying what compensation he expected in return (Dallek, p. 432). The Soviets also agreed in principle to the creation of an international organization to replace the League of Nations, supported Roosevelt's plan (at that time) to dismember and deindustrialize Germany, and endorsed Eden's proposal of a European Advisory Commission for tripartite occupation and governance of defeated adversaries (Gaddis, 1972, pp. 28, 78, 102, 106; Mastny, p. 118). In addition, Stalin and Soviet officials expressed enthusiasm for economic cooperation and integration with the global economy following the war, offering to open the Soviet Union's potentially enormous market to US exports and responding eagerly to American suggestions of a postwar reconstruction loan (Gaddis, 1972, 177-178; Roberts, 2006, p. 181). Most strikingly, Stalin agreed to uphold the principles of the Atlantic Charter by holding plebiscites and forming representative governments in Soviet-controlled territories, albeit while ensuring that these governments were "friendly" to the Soviet Union (Gaddis, 1972, 138-139). He further signaled his moderate goals by guaranteeing Finnish independence in exchange for territorial concessions and reparations, and by agreeing to forgo annexation of territories with an ethnic Polish majority (Roberts, 2006, p. 185).

Stalin's continued prioritization of the second front was also deemed a cooperative behavior by US officials. By the end of 1943, the USSR no longer required a second front to defeat Germany. Indeed, the US Joint Chiefs of Staff were concerned prior to Tehran that Soviet entreaties for the second front were merely "for the purpose of testing Anglo-American sincerity," and expected that the Soviets would shift their support to British proposals for a Mediterranean strategy at Tehran in order to exclude Western forces from the heart of Europe. Instead, Stalin redoubled his emphasis on the second front, promising to coordinate Soviet offensives with the Allied landings and demanding specific details about the operation (Stoler, p. 169). A grateful Stimson "thank[ed] the Lord Stalin was there" to ensure that the Channel invasion prevailed over the British strategy. "He saved the day" (quoted in Gaddis, 1972, p. 77).

Stalin also sought to assuage Allied fears of Soviet intentions through personal statements and interactions. At Moscow, he informed Harriman, Eden and Hull that while he was aware of Allied anxieties about a German-Soviet separate peace, he "hoped that they had found that this was not going to be done" and reaffirmed the Soviet Union's commitment to unconditional surrender (quoted in Roberts, 2006, p. 166; see also Haslam, p. 16). Immediately after the Foreign Ministers Conference, Stalin went out of his way to publicly praise the contribution of Western materiel to the Soviet war effort. At Tehran, Stalin flattered Roosevelt and effusively expressed his admiration for the United States, as the two leaders attempted to one-up each other with exaggerated reassurances that belied their true goals (Roberts, 2006, pp. 180-181).[7]

Although American reassurance toward the Soviet Union in 1943, rather than

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[7]In one comical exchange on decolonization, FDR suggested that India might be best suited to socialism, while Stalin replied that India should continue to develop along bourgeois-capitalist lines.

overt hedging, was inconsistent with the power shift game, the Soviet response to US reassurance corresponds to its logic. Given FDR's commitment not to take preventive measures against a cooperative Soviet Union, Stalin had every reason to continue to misrepresent his true goals. Doing so would allow the Soviet Union to continue to acquire power, with US assistance, that it could then use to achieve its revisionist aims in the future. Yet the next section shows that this incentive to misrepresent was not recognized by US officials, who updated their beliefs in response to subsequent Soviet cooperation at Moscow and Tehran.

4.4.4   US Updating at Moscow and Tehran

In contrast to its cooperation early in the war, the Soviet Union's cooperative signals at conferences in Moscow and Tehran in late 1943 produced a remarkable shift the beliefs of American officials about Soviet goals for the international order. Churchill called the outcome at Moscow "prodigious," and testified to Eden shortly after Tehran that he had a "new confidence" in Soviet cooperation. Following the Moscow conference, Hull ecstatically declared to Congress that "there will no longer be a need for spheres of influence, for alliances, for balance of power, or any of the other arrangements through which, in the unhappy past, nations strove to safeguard their security or promote their interests" (quoted in Feis, p. 238; see also Gaddis, 1972, pp. 30-31; Gardner, 1993, p. 169). His excitement was shared by FDR, who deemed Moscow "a tremendous success...the spirit of the whole conference has been amazingly good. It has been - what we called in the old days in the Navy - a 'happy ship'" (quoted in Gardner, 1993, p. 169; see also Mastny, 1979, p. 149). Harriman characterized interactions with the Soviets as "close to the type of intimacy that exists in the discussions between the British and

ourselves," and even the skeptical Charles Bohlen thought the conference "marked the return of the USSR as a fellow member of the society of nations" (quoted in Roberts, 2006, p. 179).

FDR emerged from Tehran convinced that postwar collaboration was possible with the USSR. He effusively and repeatedly informed his aides that Tehran had revealed that Stalin was "get-at-able," meaning that Stalin would support a liberal international order if his security needs were met (Costigliola, p. 199; Gardner, 1993, p. 176; Dunn, 1998, p. 221). He stated to the American public his belief that "we are going to get along very well with [Stalin] and the Russian people" and characterized Stalin as being "like me...a realist" (quoted in Dallek, p. 439). Indeed, by the end of 1943, "he thought he would have much more trouble in the Post War world with the English than with the Russians" (quoted in Stoler, 170).

Roosevelt and Secretary of War Henry Stimson interpreted the Soviet commitment to the cross-Channel invasion as a demonstration of trust in the Western Allies, and evidence of their desire for cooperation in constructing the postwar European order (Gaddis, 1972, p. 77). Stimson was a staunch proponent of self determination, and extremely averse to acquisition of territory by force. However, he was so convinced following Tehran that the Soviets would cooperate on broader issues of international trade and collective security that he advocated US acquiescence to Soviet expansion into the Baltic states and eastern Poland (Gardner, 1993, p. 176).

Harriman's beliefs are particularly illustrative of trends in the beliefs of US policymakers. Harriman was a key figure in shaping and executing US policies at every point during the development of the Cold War. Moreover, he was at the center of the "dove-hawk" spectrum among US policymakers, and his beliefs shifted

clearly and consistently in response to new developments in US-Soviet relations. His assessment of the Tehran Conference was that it had produced a "strong feeling of optimism" due to the fact that a "historic understanding" and a "basic friendship had been established, which there was every reason to believe would endure," and it confirmed in his mind that Soviet intentions were benign (Harriman and Abel, p. 278). Following Tehran, Harriman was convinced that Soviet political goals were limited enough that cooperation could be achieved through positive economic inducements, and enthusiastically endorsed extending a postwar loan to the Soviet Union (Gaddis, 1972, pp. 176-179). Though he would later become an uncompromising opponent of Soviet policies in Poland, in early 1944 Harriman advocated consigning Poland to a Soviet sphere of influence that would sacrifice Poland's control over its own foreign policy in exchange for internal autonomy (Gaddis, 1997, 17; Larsh, 1993). As he wrote to Hull in January, "I do not believe that the Soviet leaders wish to communize Poland or set up a puppet state. They are ready to let the Poles work out their own problems provided this results in a Poland that is basically friendly to the Soviet Union and is not opposed to major foreign policies of the Soviet Union" (quoted in Haslam, p. 20, see also Davis, p. 97). That spring, Harriman reiterated that "Communist form of governments [sic] is not a present objective of the Soviets," and that "there is no evidence that [Stalin] is unwilling to allow an independent Poland to emerge" (quoted in Gaddis, 1972, p. 51; Yergin, p. 74).

One of the most striking shifts in beliefs in response to the conferences occurred in the case of General John Deane, the representative of the US Joint Chiefs of Staff (JCS) in Moscow. Deane reported to the JCS that he had "been tremendously impressed with the possibilities for cooperation" engendered during the Foreign Ministers Conference (quoted in Dallek, p. 618, fn 19). Deane "had gone to Russia

with the idea that the Russians were unwilling to cooperate...and were interested only in gaining their own ends," but Soviet cooperation at Moscow had led to a "complete change in his views." He retroactively attributed prior non-cooperative Soviet behavior to security concerns and "utter absorption with the war." Deane's response was representative of the US military. George Marshall called the results of Tehran "unexpectedly favorable," and a few months later the JCS issued an analysis that was remarkably clear in its assessment that US and Soviet goals were compatible (quoted in Stoler, pp. 166, 169-189).

4.4.5 Deviation of US Behavior from Hypotheses of the Power Shift Game

Although US leaders updated their beliefs in 1943, after an increase in the size of the PPS, they did not do so for the reasons that the power shift game says they should have. First, the power shift game predicts that the US should have adopted an overt hedging strategy of limited prevention to contain rising Soviet power. This limited prevention would then have increased the objective credibility of cooperative Soviet signals: an incompatible Soviet Union would have less of an incentive to misrepresent its true goals, because cooperation would not allow it to fully avoid opposition, making continued cooperation a strong indicator of compatible preferences. Instead, the Roosevelt administration adopted a policy of reassurance specifically to ensure that the Soviets would *not* anticipate containment from the US, and would instead expect the US to aid their rise by opening the second front, continuing Lend-Lease, and issuing a large postwar reconstruction loan. Thus, in contrast to a hedging strategy that would have reduced the Soviet incentive to misrepresent, the conciliatory American response to the emergence of

a large projected power shift in 1943 reinforced the incentive for an incompatible Soviet Union to continue to cooperate.

Second, the power shift game predicts that in the absence of preventive opposition, the US should have recognized the strong incentive for a rising Soviet Union to misrepresent, and considered its cooperative signals non-credible. In reality, in the fall of 1943 US leaders utterly failed to appreciate the negative effect of their reassurance strategy on the objective credibility of cooperative Soviet signals. Thus, the power shift game shows that, given their own strategy of reassurance, American leaders erroneously updated their beliefs at Moscow and Tehran, and should instead have retained a high degree of uncertainty about future Soviet intentions.

American leaders overlooked the possibility that a truly hostile Soviet Union might behave cooperatively because they adhered to the logic of the optimist signaling model, the focus of which is restricted to the possibility that a truly benign Soviet Union might inadvertently be induced to behave non-cooperatively. As the optimist model predicts, FDR was far more concerned that Soviet insecurity and suspicions of US intentions would induce a benign Soviet Union to reject cooperation out of fear, and lead to unnecessary postwar conflict, than he was that the US might accommodate the rise of a hostile Soviet Union that would threaten US interests in the future.

The failure of US officials to understand the incentives that drive the credibility of Soviet signals can be seen in internal discussions of Soviet intentions. State Department planners insisted in early 1943 that "every effort be made to ascertain Russia's political and territorial ambitions, and to work out a settlement" as soon as possible, but gave no indication of *how* Soviet intentions could be ascertained. Instead, their prescription was for the US to continue to accommodate the Soviets

until somehow "Russia's policy was made known," because the US had "no real alternative" - they did not recognize that effect that overt hedging would have on the credibility of Soviet signals (quoted in Stoler, p. 137). In spring of 1943, FDR and Eden agreed that although Soviet intentions were impossible to determine, the "wise and expedient" policy was to cultivate "to the utmost extent possible the friendship and confidence of the Soviet Union" and that the situation could be made "no worse by trying to work with Russia" (quoted in Gardner, 1993, p. 159). The Office of Strategic Services concurred in September that "The policy of compromise will produce results of great value, if it proves workable. If it breaks down, the open rivalry that then develops will be no sharper than it would have been if no compromise had been attempted" (quoted in Davis, p. 83).[8]

By identifying the opposing effects of reassurance and prevention on the credibility of Soviet signals, the power shift game demonstrates the drawbacks of the US reassurance strategy that are absent from these statements. In lieu of FDR's reassurance strategy, cooperative Soviet signals would have been credible: when Stalin expected the US to adopt a hedging strategy in response to Soviet cooperation in mid-1943, he had far less of an incentive to misrepresent, and indeed began to reveal his revisionist goals through provocative behavior that summer. However,

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[8]Not all observers were so naive. Lt. Col. Paul Carraway, an advisor to the Joint Chiefs, identified the Soviet Union's incentive to misrepresent in May, 1944, pointing out that a weak, war-ravaged USSR "can be quite different from a USSR strong enough to feel that she does not require favors from the United States or Britain" (quoted in Stoler, p. 184). Many of the State Department's Soviet experts - including Charles Bohlen, George Kennan, and former Ambassador William Bullitt - all held strong preconceptions that Soviet intentions were intractably hostile to US interests, and did not update their beliefs in response to Soviet cooperation (Glantz, pp. 163-167; Yergin, pp. 20-40; Gaddis, 1972, pp. 63-64, 85; Haslam, pp. 21-25, 50-51, 71-72; Davis, pp. 64-65). However, these officials were marginalized in the policymaking process though the end of the war because their assessments and prescriptions contradicted the conventional wisdom in the Roosevelt and Truman Administrations (Gaddis, 1972, pp. 54, 302; Kimball, p. 88; Yergin, pp. 39-41, 57; Haslam, p. 24). Soviet Ambassador Maxim Litvinov's explicit warnings about the incompatibility of Soviet and American goals was likewise dismissed by Washington as the bitterness of an aggrieved Soviet official (Haslam, p. 51). It was not until after US beliefs about Soviet intentions had begun to turn more generally pessimistic that these advisors regained their influence in 1945 and 1946.

because FDR convinced Stalin that his cooperation would result in no opposition, even a hostile Soviet Union had every reason to continue to behave cooperatively in 1943, in order to continue its relative power gains that would facilitate revision in the future.

The US reassurance strategy also seems to have been misguided because it assumed that Stalin was uncertain about American preferences for the postwar order, and that Soviet suspicions were due to uncertainty or misperceptions about US preferences. In fact, the Soviets had long been well aware that the US desired a liberal international order characterized by self-determination, demilitarization, and an open international market economy, principles that extended back to Wilson's fourteen points and which were reaffirmed in the Atlantic Charter (Haslam, pp. 36-39; Pollock, 2001; Pechatnov, 1995). He noted to Anthony Eden in 1942 that the Charter's emphasis on self-determination seemed directed against the Soviet Union, and told Chinese Nationalists in 1945 that the "open door," a central feature of the liberal economic order, was tantamount to "foreign invasion" (Gaddis, 1997, p. 14; Kuniholm, pp. 161-183, 194-195; Ulam, p. 331; Harriman and Abel, p. 538). Furthermore, US leaders should have guessed that Stalin was aware of US preferences. As the state in relative decline, the United States had little incentive to misrepresent its intentions, and every incentive to construct its preferred international order immediately, while conditions were most favorable. US leaders should therefore have been confident that Stalin would take American statements about the American vision for the postwar order at face value, making reassurance unnecessary. The problem facing American policymakers was not the credibility of Stalin's antagonistic behavior, but the credibility of his cooperative behavior. Had FDR understood Stalin's incentive to misrepresent, he could have eschewed reassurance in favor of an overt hedging strategy that would have increased the

credibility of cooperative Soviet signals, or prompted Stalin to reveal his revisionist goals, thereby allowing the US to contain rising Soviet power before it had become entrenched over half of Europe.

4.4.6 US Policy Response: Moderate Hedging

Although American beliefs about Soviet intentions in 1943-44 violate the logic of the power shift game, US policies given those beliefs are largely consistent with the theory. Under high uncertainty about Soviet intentions as the PPS increased in mid-1943, the power shift game predicts that the US should have begun to hedge against rising Soviet power. Positive American updating after Moscow and Tehran should then have caused US policy toward the USSR to soften, becoming generally more accommodating in 1944. However, the power shift game predicts that a rising state's credible cooperative signals can mitigate, but not eliminate the decliner's preventive motivation. Thus, US accommodation should have been coupled with elements of prevention, even at the height of US optimism, in light of residual uncertainty about Soviet intentions and high projected US vulnerability to Soviet revision in the future. In contrast, the optimist model predicts that positive beliefs should have prompted the US to fully accommodate a cooperative Soviet Union in 1944, whereas the pessimist model holds that US leaders should have discounted their beliefs about Soviet intentions, and instead sought to reduce potential US vulnerability through hard-line preventive action.

As the power shift game predicts, prior to the positive updating in response to Soviet cooperation at Moscow and Tehran, uncertainty surrounding Soviet intentions coupled with marked increases in the Soviet Union's projected postwar capabilities prompted US leaders to initiate policies to contain the growth of Soviet

power and influence. As early as March, military planners began, at Roosevelt's behest, to formulate a system of overseas military bases that would allow the US to project its power and, if necessary, compete with the Soviet Union in any region of the world (Leffler, 1992, p. 56; 1984, pp. 149-150; Stoler, pp. 137-145). In August, even after Stalin's recriminations that the Soviets were being treated as "a passive third party" in Italian surrender negotiations, the US and Britain only allowed the Soviets to assume observer status, denying them influence in shaping Anlgo-American-occupied states in Western Europe. In addition, although Roosevelt and Churchill agreed to Stalin's proposal to create the European Advisory Commission (EAC) for tripartite governance of occupied territories, they effectively excluded Soviet influence in Western Europe by granting the EAC only consultative powers (Gaddis, 1972, pp. 88-90). Roosevelt and Churchill agreed over the summer to jointly develop nuclear energy, but not to share atomic secrets or cryptographic technology with the Soviets. In late September, Roosevelt endorsed an emergency European invasion plan to "get to Berlin as soon as did the Russians" in the even of a sudden German collapse, and seriously entertained British proposals for an Adriatic campaign to "shield the Balkans from Soviet power" and "assure against the possibility that Stalin aimed at extensive European control" (quoted in Kimball, p. 87; Dallek, pp. 410-11, 415-417; Stoler, pp. 136, 164). He also strongly advocated China's restoration to great power status and inclusion as one of the "Four Policemen," to serve as a "buffer" between the America and Russia, check Soviet power in Asia, and align with the US in the new UN organization (Dallek, pp. 415, 429).

However, the increased optimism of US leaders regarding Soviet intentions after Tehran mitigated their incentive to contain the Soviet Union, despite increasing US vulnerability to Soviet revision in the future. This outcome supports the hypothe-

sis of the power shift game against the pessimist model, which predicts that future vulnerability should have compelled the US to take preventive action, regardless of its beliefs. The United States continued to supply the Soviet Union with unrestricted reconstruction funds through the Lend-Lease protocol in 1944, which at that point in the war contributed mainly to the expansion of Soviet influence in Europe and Soviet postwar economic recovery, rather than to Soviet victory over Germany (Harrison, 1995; 2005). Roosevelt dismissed proposals by Harriman and the JCS to end Lend-Lease and use reconstruction aid as a "political weapon" to gain bargaining leverage over the Soviets. Harriman himself cautioned against "vague promises" of postwar aid that would arouse Soviet suspicion, and thought that building a sound Soviet economy would lead to more cooperative postwar relations (Stoler, p. 186; Gaddis, 1972, pp. 83, 180-181, 190). After Tehran, Roosevelt and American military planners repeatedly refused to subordinate military expediency to political goals, declining British requests for operations in the Balkans, and forgoing opportunities to advance eastward to prevent Soviet occupation of key territories in Germany or Eastern Europe. Despite expressed Anglo-American opposition to reparations of any sort, Roosevelt agreed at Yalta to allow the Soviets to extract $10 billion of goods and equipment from Germany (Yergin, p. 65; *FRUS, Yalta*, pp. 620-623). FDR also accepted all of Stalin's demands for territorial compensation in Asia in exchange for entering the war against Japan, despite the opinion of his staff that such concessions were unnecessary (Gaddis, 1972, p. 79, Leffler, 1986, p. 107).

Despite their newly expressed optimism, US officials retained some uncertainty about the compatibility of Soviet goals for the international order entering 1944. As Harriman put it to Roosevelt following the Foreign Minister's Conference, "Certain of the doubts which some people have had regarding Soviet intentions are now laid

to rest...On the other hand, it cannot be assumed that this policy is already so set that we can afford to take liberties with them" (quoted in Dallek, p. 423). Immediately after Tehran, Roosevelt expressed skepticism about the Soviet commitment to enter the Pacific war, cautioning against "putting all our eggs in one basket" and referred to maintaining good relations with the Soviets "a ticklish business" (quoted in Dallek, p. 440). Harriman argued in January that the US should place conditions on economic aid to the USSR because there remained "many undetermined questions" regarding Soviet intentions, and British ambassador Archibald Clark-Kerr reported in February that although "Russia genuinely favors an independent Poland," it also "expects so much from the Poles...that it would require a miracle for them to live up to the standard demanded of them without complete subservience" (Gaddis, 1972, p. 180; quoted in Mastny, 1979, p. 170).

As a result of this residual uncertainty, American policymakers coupled their increased accommodation of the Soviet Union with continued hedging against the possibility of Soviet revision, even at the height of their optimism about Soviet intentions. The US hedging strategy in 1944 was both less overt and more subdued than US opposition was in 1943, before American leaders updated their beliefs in response to Soviet cooperation at Moscow and Tehran. Thus, American behavior in the first half of 1944 contradicts the optimist hypothesis that positive beliefs will eliminate preventive action, but is consistent with the power shift game, which holds that positive updating should mitigate, but not eliminate, a declining state's incentive to act preventively in response to a large projected power shift.

The US remained concerned with the distribution of strategic assets in 1944, seeking to reduce Soviet influence in Europe while maximizing the capacity of the US to project its own power. Less than a month after Tehran, the US worked

to enervate the newly-formed European Advisory Commission (EAC), which was intended to institutionalize tripartite cooperation in governing defeated enemy states, in order to deny the USSR meaningful influence in territories in Western Europe occupied by the US and Britain (Gaddis, 1972, pp. 106-107). US military planners viewed the opening of the western front in Europe as serving a dual purpose of reassuring the Russians of Allied cooperation, while also hedging against Soviet domination of Europe by inserting massive numbers of American troops to occupy France and Germany. The Joint Chiefs characterized the second front as "indispensable," in order to make hostile actions "costly and unattractive" to the Soviets (Stoler, pp. 136, 164). In addition, the military devised a plan, approved by Roosevelt in early 1944, for an elaborate system of overseas bases using former European colonial possessions.[9] This "strategic frontier" was designed to prevent the Soviet Union from dominating the resources and industrial capacity of Eurasia in the postwar world by facilitating preemptive and preventive US military actions to forestall Soviet aggression as well as the organic spread of communism (Leffler, 1984, pp. 149-150; Stoler, pp. 176-179, 184-185). At the September 1944 Quebec Conference, Roosevelt stated that "our main concern is how to keep the Communist[s] out of Hungary and Austria," and endorsed British plans to intervene in Greece and use Allied forces in Italy to advance into Eastern Europe. At Quebec, Roosevelt and Churchill also explicitly reaffirmed their agreement to withhold nuclear technology from the Soviets, and that the USSR would not share in the control or use of atomic power (*FRUS, Quebec*, pp. 367-369, 492-493; Kimball, p. 87; Dallek, pp. 469-470).

Many US leaders also advocated the use of economic statecraft to hedge against

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[9]These included the Aleutian Islands, Okinawa, the Philippines in Asia, and the Canary Islands, Azores, and/or Casablanca in West Africa, to ensure US predominance across both the Atlantic and Pacific Oceans.

rising Soviet power, by extracting concessions from the Soviet Union or containing Soviet power if Soviet goals proved incompatible. General George C. Marshall called Lend-Lease aid "our trump card in dealing with [the] USSR" (quoted in Stoler, p. 187). Harriman, who was so optimistic about Soviet intentions following Tehran, nevertheless saw economic aid to Moscow as "one of the most effective weapons at our disposal" against the expansion of Soviet power in Europe. He and Deane proposed making Soviet Lend-Lease requests subject to a review and screening process in February (Stoler, pp. 182, 186; Gardner, 1970, p. 42; Gaddis, 1972, p. 181; *FRUS, 1944*, vol. 4, pp. 1052-1053). As Thomas Paterson writes, by March of 1944 "Harriman's earlier interest in a loan as a roadblock to depression had now almost entirely given way to its use as a diplomatic weapon" (Paterson, 1973, p. 36).

In sum, the power shift game correctly describes US policy toward the USSR after 1943, given the beliefs of American leaders. Under high uncertainty about Soviet intentions as the PPS increased in mid-1943, Roosevelt and his advisors began to hedge against growing Soviet capabilities, even as they also sought to alleviate Soviet mistrust through reassurance. In 1944, after American policymakers had optimistically updated their beliefs in response to Soviet cooperation at Moscow and Tehran, US policy toward the USSR softened, and became generally more accommodating. However, FDR continued to covertly hedge against rising Soviet power even at the height of US optimism, in light of residual uncertainty about Soviet intentions and high projected US vulnerability to Soviet revision in the future. Thus, as the power shift game predicts, credible Soviet signals mitigated, but did not eliminate the United States' preventive motivation.

4.5 Conclusion

Soviet and American actions and beliefs during the Second World War largely support the hypotheses of the power shift game. In the early years of the war, when the Soviet Union was desperate for US assistance and postwar Soviet power was not expected to increase significantly, US leaders did not update their beliefs in response to cooperative Soviet signals, yet eagerly provided the Soviets with comprehensive assistance in the war against Germany. As the power shift game predicts, this was because US leaders attributed the Soviet Union's cooperation to the enormous constraints it was facing, rather than its inherent preferences, yet were not threatened by a Soviet state that was expected to be weakened by the war. As Soviet fortunes in the war improved and the PPS increased in 1943, the Soviets expected to incur greater opposition from the US, and began to preemptively rescind their cooperation in favor of competing for control of the postwar international order. As expected, in response to the increase in the PPS, the US began to take preliminary steps in 1943 to hedge against rising Soviet power through a strategy of limited containment.

However, the logic by which American policymakers formed beliefs about Soviet intentions at the end of 1943 is contrary to the power shift game, and instead corresponds to the optimist signaling model. The power shift game holds that by adopting an overt hedging strategy, the US would have reduced Stalin's incentive to misrepresent, and either prompted Stalin to reveal his hostile intentions through immediate revision, or made continued Soviet cooperation a more credible signal of compatible goals. However, concerned primarily about avoiding a spiral of mistrust that could lead to unnecessary conflict with a benign, but fearful Soviet Union, FDR implemented a strategy of reassurance to convince the Soviets that

American containment was not forthcoming. This led Stalin to understand that he could avoid US opposition in the present if he continued to cooperate with the liberal American vision for the postwar order, and therefore to resume his strategy of misrepresenting his revisionist goals. Furthermore, whereas the power shift game predicts that these signals should have been non-credible given the intense Soviet incentive to misrepresent in the absence of US opposition, US leaders positively updated their beliefs in response to cooperative Soviet signals at the Moscow and Tehran conferences in late 1943.

Although the power shift game fails to predict this outcome, it still yields enormous prescriptive value. The American policy of reassurance appears to have been misguided, as Stalin was already likely aware of US goals for the international order, and was behaving non-cooperatively in mid-1943 because he knew his own goals were incompatible and expected to incur preventive opposition from the US. Moreover, the power shift game shows that reassurance entailed a tradeoff that was not recognized by American policymakers: by increasing the rising Soviet Union's incentive to misrepresent, it reduced the credibility of Soviet cooperative signals. However, because US statesmen failed to understand this effect of reassurance, and focused only on the possibility that a truly benign Soviet Union was eschewing cooperation out of fear, they erroneously updated their beliefs in response to Soviet cooperation at Moscow and Tehran. As a result, US leaders were overly optimistic about Soviet intentions in 1944-45, leading them to excessively accommodate the rising power of a revisionist Soviet Union through the end of the war, and facilitate the expansion of Soviet influence into Eastern and Central Europe.

It was not until the last months of the war that American leaders began to negatively update their beliefs about Soviet intentions, and reescalate preventive

containment of the Soviet Union in 1945. This change in US beliefs was prompted by revisionist Soviet actions in 1944 and 1945, particularly in Eastern Europe. Yet such revisionist behavior is puzzling in light of the finding from this chapter that US reassurance had inflated Stalin's incentive to misrepresent, continuing to cooperate in order to avoid opposition and gain power that would allow Soviet revision in the future. The following chapter draws on the logic of the retrenchment game, presented in Chapter 2, to explain why the Soviet Union revealed its true goals by attempting immediate revision in 1944-45, leading to an escalation of containment by the US and culminating in the Cold War. In brief, by credibly withdrawing American influence from Eastern Europe, FDR removed constraints over Soviet behavior in a region that Soviet leaders saw as highly valuable. Given the low cost of revision, Stalin chose to achieve his goals immediately, rather than wait until the USSR had gained more power in the future. Thus, although retrenchment was an unintended by-product of Roosevelt's reassurance strategy, it eventually provided the US with valuable information that allowed for early containment of Soviet power.

Chapter 5

The Retrenchment Game and the Origins of the Cold War

5.1   Introduction

This chapter applies the findings of the retrenchment game presented in Chapter 2 to explain the origins of the Cold War, which was characterized by a hard-line US policy of comprehensive containment toward the Soviet Union immediately following World War II. As Chapter 3 demonstrated, following the increase in the PPS in mid-1943, Roosevelt successfully reassured Stalin that US opposition was not forthcoming, and the US positively updated its beliefs in response to Soviet cooperation at the Moscow and Tehran conferences in the fall of 1943. This relatively high degree of trust led to mutually cooperative behavior by the US and Soviet Union throughout 1944. Yet by late 1944 and early 1945, American leaders

had begun to negatively update their beliefs about Soviet intentions in response to increasingly-apparent Soviet revision in Eastern Europe. Consequently, through mid-1945, Roosevelt and then Truman gradually increased US containment of the rising Soviet Union. This American opposition, in turn, convinced Stalin that further containment from the western Allies was unavoidable, even if the USSR continued to cooperate by supporting a liberal international order. The Soviets thus abandoned their strategy of misrepresenting their incompatible goals in favor of attempting immediate revision in Eastern Europe and beyond. In response, the Truman Administration updated their beliefs further downward, and escalated to full containment of the Soviet Union by early 1946.

This account begs the question of why the Soviets attempted the initial revisions in Eastern Europe that revealed their incompatible goals and disrupted the cooperative equilibrium of 1944. Neither the baseline version of the power shift game nor the optimist or pessimist signaling models offer a compelling explanation. The pessimist model predicts that a rising Soviet Union should have continued to misrepresent, even in the face of US containment. On the other hand, the optimist model would posit that hostile risers attempt immediate revision because the benefits of doing so simply outweigh the costs of incurring opposition. Yet Chapter 3 showed that in 1943, Stalin initially preferred to misrepresent his preferences and delay revision in order to avoid opposition from the US.

Finally, the power shift game holds that preventive opposition from the decliner reduces a rising state's incentive to misrepresent, and prompts hostile types to attempt immediate revision. According to the power shift game, the United States should never have adopted a policy of reassurance in 1943: as Chapter 3 showed, this increased the Soviet Union's incentive to misrepresent, and decreased the ob-

jective credibility of its cooperative signals. Thus, the model yields the hypothesis that rational US leaders eventually came to recognize their incentives for preventive action, and reversed FDR's reassurance strategy in favor of an overt hedging strategy of moderate containment. Soviet revision in 1944-45 was then a response to US preventive opposition. Such a change in US policy toward a cooperative Soviet Union would likely be engendered by a change in the US leadership - e.g., from Roosevelt to Truman.

However, as this chapter will show, this hypothesis fails on two counts. First, the deterioration in US-Soviet relations began well before Roosevelt's death. Even the ever-optimistic President himself began to negatively update his beliefs in early 1945, and was laying the groundwork for increasing postwar containment of Soviet power when he died. Although US distrust and containment of the Soviet Union progressed under Truman, this was part of an ongoing trend that began under FDR. Second, and most importantly, the negative shift in US beliefs, and the subsequent increase in US hedging, was in response to Soviet revision in Eastern Europe in 1944 and early 1945. The initial change in Soviet behavior therefore cannot be explained by the change in American policy that followed it.

This chapter demonstrates that the Soviet Union's initial revisionist behavior in 1944-45 corresponds to the hypotheses of the retrenchment game, which shows how declining states can elicit credible signals by removing constraints over a rising state's behavior. If the declining state, which is more powerful than the riser in the in the present, can credibly commit to withdraw its power from a particular region or issue, then the rising state's behavior there will be relatively unconstrained - the decliner cannot impose direct costs or intervene to prevent the riser from revision the regional order. As such, rising states with revisionist goals will be

tempted to act on them immediately, rather than foregoing the benefits of revision while waiting to become more powerful in the future. Thus, retrenchment induces revisionist risers to reveal their true preferences for the international order by attempting immediate revision, making continued cooperation in the face of low-cost opportunities for revision a more credible signal that the riser is truly benign.

Retrenchment therefore acts as a screening mechanism that reduces the rising state's incentives to misrepresent, allowing the declining state to distinguish among rising states whose preferences are compatible and incompatible with its own. The decliner can then form a more optimal foreign policy toward each type of riser than it could in the absence of credible signals, containing the rise of hostile states that will attempt revision to the international order more generally, while avoiding unnecessary conflict with truly benign rising states. However, this potentially valuable information comes at some cost - by retrenching, the decliner leaves a region vulnerable to immediate revision if the riser's goals are incompatible. Thus, the retrenchment game holds that retrenchment is most likely to occur in regions that are of low value to the declining state, but high value to the riser.

US retrenchment from Eastern Europe during WWII, which was of little value to the US but of vital interest to the Soviets, fits this criterion. Retrenchment occurred as an unintended by-product of Roosevelt's reassurance strategy: in attempting to demonstrate that the US would accommodate a rising Soviet Union if it behaved cooperatively, American leaders also declined to establish US influence in Eastern Europe, and committed to cede control of the Eastern European order to the Soviet Union. Moreover, the withdrawal of American power from the region not only convinced Stalin that the US did not have the ability to directly oppose Soviet revision there, but US reassurance also falsely convinced Stalin that Soviet

domination of Eastern Europe would be acceptable to the US, not viewed as a non-cooperative signal. Thus, not only did Stalin anticipate that revision in his Eastern European "sphere" would incur low direct costs, he also believed that such actions would not incur the costs of broader containment by the US either.

As such, the Soviets began to revise the Eastern European order in ways that they thought had been sanctioned by their allies, but which US leaders actually saw as non-cooperative. As the retrenchment game predicts, by eliciting this revisionist behavior, American retrenchment from Eastern Europe allowed US policymakers to form accurate beliefs about the Soviet Union's preferences for the broader international order. Yet at the same time, the Soviets desired, and thought it possible, to sustain cooperation with the West. They therefore continued to misrepresent their incompatible goals by cooperating on other issues, and refraining from revisions in Eastern Europe that they thought the US *would* view as non-cooperative.

The remainder of the spiral to the Cold War is explained by the baseline version of the power shift game. As American beliefs about Soviet intentions grew more pessimistic in early 1945, the United States increased its degree of containment toward the Soviet Union, and overtly opposed its revisions in Eastern Europe. This response to what the Soviets had considered acceptable behavior prompted them to increasingly anticipate that US containment was unavoidable, regardless of their own actions. As such, the incentive for the Soviets to misrepresent their goals diminished, and they ceased refraining from revision on issues on which they had previously sought to cooperate with the Allies. Thus, by 1946 the Soviets had revealed their preferences for the international order to be broadly incompatible with those of the US, resulting in a progression to full American military and economic containment of the Soviet Union.

Thus, the theories developed in Chapters 1 and 2 show that even though the Cold War resulted from a negative spiral of actions and beliefs, it was not the ironic result of the security dilemma, in which states with compatible preferences end up in conflict due to uncertainty and fear of each other's intentions. That account is the now-dominant "post-revisionist" interpretation of the Cold War in the historical literature. Rather, interpreted through the logic of the retrenchment game, the evidence shows that retrenchment allowed the US to form *accurate* beliefs that Soviet preferences were incompatible with its own, and respond appropriately to defend its preferred international order before the USSR had risen enough to revise it any further.

This chapter proceeds as follows. The first section characterizes US retrenchment from Eastern Europe during the last two years of the war as a commitment not to oppose Soviet revision in the region. The second section shows that in response to US retrenchment, Soviet leaders believed they could revise the international order in Eastern Europe without incurring US opposition, and documents revisionist Soviet activity in Eastern Europe as well as continued attempts to sustain postwar Allied cooperation. The third section describes negative American updating in response to Soviet revision, and subsequent increase in the degree of US containment. The fourth section illustrates how, consistent with the power shift game, this increase in US prevention further reduced the Soviet incentive to misrepresent, and resulted in an escalating cycle of competition and negative updating that culminated in full US containment by the end of 1946.

5.2 US Retrenchment, 1943-1945

As in Chapter 2, retrenchment is defined here as any action taken by a declining state that removes constraints over a rising state's behavior in a particular region. In the middle years of the war, the US removed constraints over Soviet behavior in Eastern Europe by consistently recognizing the region as a Soviet "sphere of influence", agreeing to - and even encouraging - Soviet intervention in domestic political systems within its sphere, and eliminating its own capacity to project its military power into the region. These American policies do not resemble the traditional definition of retrenchment, which requires a declining state to redeploy resources from an existing commitment to some other purpose. Indeed, the US had never devoted any resources to Eastern Europe in the first place, and so could not possibly withdraw them. However, US actions are consistent with the concept of retrenchment as a screening mechanism, in that they increased the USSR's freedom of action in Eastern Europe, thereby facilitating its revision of the regional order and reducing its incentive to misrepresent hostile intentions.

US retrenchment from Eastern Europe was undertaken for two reasons. First, as the retrenchment game predicts, the region was of low inherent value to the US. American planners acknowledged that there was little to be gained from challenging Soviet power in Eastern Europe. Furthermore, longstanding domestic opposition to international entanglements made it infeasible for FDR to compete with the Soviets for influence there or to assume the costs of governing the regional order (Stoler, pp. 124-129; Davis, pp. 76-80). American policymakers therefore had little choice but to admit to the Soviets that the US would not interfere with their activities in Eastern Europe. US leaders also had a positive reason for undertaking a retrenchment policy: removing the US capacity to challenge the Soviet Union on

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its own doorstep was part of Roosevelt's reassurance strategy designed to alleviate Soviet mistrust of US intentions, and convince Stalin that the US did not intend to preventively contain the USSR. FDR thus hoped that reassurance would remove Soviet security concerns that might induce the Soviet Union to reject postwar cooperation, even if it actually shared the US preference for a liberal international order (see Chapter 3). US retrenchment was thus a by-product of reassurance, and was not initially intended to serve as a screen of Soviet intentions.[1]

American commitments not to oppose Soviet revision began as early as March 1942, when Roosevelt told Soviet Ambassador Maxim Litvinov that he was determined not to leave Russia vulnerable to a renewed German threat after the war, and that he "did not foresee any difficulties" over Soviet territorial claims. Starting in 1943, Roosevelt repeatedly expressed to Soviet diplomats his determination that any government of Poland be "friendly" to the Soviet Union, and explicitly promised that the United States would not oppose Soviet actions in Eastern Europe (*FRUS: Teheran*, pp. 594-595; see also Gardner, 1993, pp. 163, 175; Gaddis, 1972, pp. 138-139; Glantz, p. 156). Roosevelt's four policemen framework, which he described to Stalin at Tehran and which was the basis for the United Nations, included "spheres of responsibility" in which great powers would govern the international affairs of a particular region (Dallek, p. 433; Kimball, 1991, pp. 93-94). At Tehran, Roosevelt stated outright that although the US public preferred representative governments in Eastern Europe, the US "did not intend to go to war with Stalin on this point." Roosevelt made it clear to Stalin that American public opinion would not allow the US to maintain responsibility for any more than min-

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[1]The absence of informational considerations in the declining state's retrenchment calculus does not refute the core mechanisms of the retrenchment game. By identifying the informational benefits that the US received as a result of its retrenchment, the model shows that these incentives should have been included in the US decision calculus, and therefore has prescriptive value for present and future policymakers. For a fuller discussion of this point, see Chapter 2.

imal postwar occupation and governance of Europe, effectively ceding control of the European order to the Soviets in conjunction with the far less-powerful Britain (quoted in Haslam, pp. 17-18; Davis, pp. 94-96; Dallek, p. 433).

Throughout 1944, the US also acquiesced to a *de facto* Soviet sphere of influence in Eastern Europe. The US continued to support Soviet territorial claims in Poland and the Baltic states, attempting to convince Polish Prime minister Mikolajczyk to accept Stalin's proposal for shifting Polish borders to the west and restructuring the Polish government to be more "friendly" to the USSR (Davis, 1973, Chapter 4). Hull noted that it was logical for the Russians to take responsibility for governing Romania, Hungary, Poland and Bulgaria, an arrangement the Joint Chiefs characterized as "only natural and to be expected." Roosevelt instructed Harriman in May to reiterate to Stalin that the controversy over the Polish government would be "kept out of politics," and merely express his hope that Stalin might "give the Poles a break" (quoted in Gaddis, 1972, pp. 91, 144). When he met with Stalin in June, Harriman implied his approval of the leaders of the "Lublin Poles," the communist Polish government created by Moscow, and accepted them as "real representatives of Poland" (Mastny, 1979, p. 176). In response to Soviet refusal to aid the Warsaw uprising, Roosevelt declined to pressure the Soviets or question Stalin's motives, and restrained Harriman from doing so either (Davis, pp. 112-116). That fall, Edward Stettinius, who had replaced Hull as Secretary of State, continued to condone Soviet revision in Eastern Europe through *fait accompli*, remarking to the American press that "this government's traditional policy of not guaranteeing specific frontiers in Europe is well known" (quoted in Haslam, p. 40).

At Yalta, Roosevelt again seemed eager to please Stalin and indifferent to

European geopolitics. He reiterated on the first day of the conference that he did not envision American troops remaining in Europe more than two years after the war (Harbutt, p. 292; *FRUS, Yalta*, p. 619). Roosevelt initially opposed Churchill's request that France be allowed a seat on the Allied Control Commission for Germany, which accorded with Stalin's preference that France not be restored to great power status, so as to maintain a power vacuum in Europe that the Soviet Union could fill (Harbutt, p. 292; Mastny, 1979, p. 243). As the British Foreign Office noted, declaring an early US military withdrawal while at the same time vetoing French participation in Germany would "upset the balance between East and West to Russia's advantage" (quoted in Harbutt, p. 307). Roosevelt broached American concerns about Soviet behavior in Poland by stating that he would not insist on any concessions from the Soviet Union and that he merely wanted the Poles to "save face." The Allies also declined to specify a date for elections, noting that there was no hurry, and withdrew their proposal that international observers be allowed to supervise the election (Mastny, 1979, pp. 245-251; *FRUS, Yalta*, p. 677).

In sum, US retrenchment from Eastern Europe constituted a credible commitment not to oppose the Soviet Union's actions within its sphere, as well as failure to establish US military or political influence in the region. This commitment was consistently reinforced by FDR as part of his reassurance strategy toward the USSR from 1943 through the Yalta conference in 1945 through diplomatic and territorial concessions, passive military and economic policies toward Eastern Europe, and both public and private statements that the US would not interfere there. Although retrenchment was not initially intended by the US as a screen of Soviet intentions, the following section will show that it had a dramatic effect on the Soviet decision calculus.

5.3 Soviet Perceptions and Behavior, Fall 1943 - Winter 1945

American retrenchment in Eastern Europe led the USSR to believe not only that the United States would not directly challenge Soviet revision in Eastern Europe, but also that such behavior would not even prompt the US to increase its containment of Soviet power more generally. FDR's reassurance convinced Stalin that the US would see Soviet revision of the Eastern European order as a means of satisfying legitimate Soviet security needs and facilitating the Soviet Union's "policeman" role in regulating the behaviors of small states and suppressing German power. As George Kennan observed just before Yalta "We have refused to name any limit for Russian expansion and Russian responsibilities, thereby confusing the Russians and causing them to wonder whether they are asking too little, or if it was some kind of trap" (Bohlen, 1973, p. 175). Indeed, US foreswearing of any stake in Eastern Europe *was* "a kind of trap," in that it induced the Soviet Union to unwittingly reveal its broader revisionist goals, which subsequently prompted the US to escalate its containment of Soviet power. However, it was only a "trap" for a truly revisionist state: had the Soviet Union's goals been compatible with the liberal order preferred by the US, the removal of constraints over its behavior would have resulted in continued cooperation in Eastern Europe. Thus, as the retrenchment game predicts, Roosevelt's inadvertent retrenchment from Europe created a screening mechanism that allowed the US to discern Soviet goals, and adopt a strategy of preventive containment while the Soviet Union was still relatively weak.

5.3.1 Anticipated US Response to Revision in Eastern Europe

The Soviets thought that since they had a free hand in Eastern Europe, the Allies would attribute revision in their sphere to insecurity rather than inherently incompatible preferences, and fail to extrapolate these actions to broader Soviet goals. Stalin also thought that the Eastern European order was so inconsequential to the US that they would see Soviet behavior there as divorced from broader Soviet preferences for the international order in more important regions and issue areas. Thus, although Stalin was aware that his revisions to the Eastern European order were inconsistent with US preferences, he did not anticipate that these revisions would be seen by the US as signals of fundamentally incompatible Soviet preferences.

The Soviets clearly perceived that the Allies had granted them an exclusive sphere of influence in Eastern Europe. Private Soviet documents noted that the United States had no major interests in Eastern Europe, and foresaw no impediments to sustained postwar cooperation (Pechatnov, 1995; Filitov, 1996). Soviet diplomats were delighted after Tehran by their impression that the Allies had granted them "the right to establish friendly governments in the neighboring countries" (quoted in Mastny, 1979, p. 132). After being excluded from the governance of Italy and France, and having repeatedly been assured that the US and Britain had renounced all interest in Eastern Europe, Stalin assumed that there would be no Western interference in the Soviet sphere. Roosevelt's firm agreement that Germany should be "disarmed, demilitarized, denazified and dismembered," combined with his insistence that the US could only maintain a presence in Europe for two years after the war, convinced Stalin that the US had invited the So-

viet Union to intervene in and govern Germany. The October, 1944 "percentages agreement," which Churchill and Stalin concluded with Roosevelt's tacit approval, crudely determined British and Soviet spheres in Eastern Europe, and served to further legitimize and sanction the USSR's free hand in the territories it controlled (Roberts, 2006, pp. 252-253, 184-189, 217-220; Mark, 1981, pp. 324-325).

However, whereas Anglo-American leaders interpreted these spheres as being economically open with self-determined domestic regimes, the Soviets interpreted "influence" to mean complete control by the great power of the political and economic systems of the countries in its sphere, such that American and British recognition of Soviet preponderance in Eastern Europe was an implicit invitation to intervene in those countries to revise their political orders and incorporate them into exclusive, hierarchical relationships with the Soviet Union (Kimball, 1991, pp. 43-46, 186-198; Mark, 1981; Haslam, pp. 24, 50-51; Pechatnov, 1995, pp. 13-14). At Tehran, Roosevelt inadvertently misled Stalin by emphasizing that he shared Soviet views on every aspect of the eastern European order, including Soviet borders and the composition of governments "friendly" to the Soviet Union, but because "the [US] public neither knew, nor understood" the situation, "it would be helpful to him [Roosevelt] personally if some public declaration in regard to the future elections...could be made." As a result, Stalin emerged from Tehran with the strong impression that elections were merely cosmetic devices to fool the American public, rather than an actual goal of the US government. In response to Roosevelt's concerns, he suggested that "some propaganda work should be done" to pacify US public opinion, and noted opaquely that there would be "plenty of opportunities for...expression of the will of the people" in Soviet-controlled Europe. Soviet behavior at the Yalta Conference a year later confirmed their understanding that elections in Poland would *not* be free. To Roosevelt's statement that

Polish elections should be pure "like Caesar's wife," Stalin replied, "they said that about her, but in fact she had her sins," and refused to allow international supervision of elections because it would be "offensive to the Poles."[2] In addition, Roosevelt's "four policemen" framework, which involved the subjugation and disarmament of small states, led Stalin to dismiss sovereignty and self-determination of smaller states as important issues for the US. At Yalta, he adopted Roosevelt's own rhetoric to defend Soviet intervention in its occupied territories, ridiculing the notion that the interests of great powers should ever be subject to judgement by lesser ones (Kimball, 1991, pp. 97-98; Mastny, 1979, pp. 223-224, 241).

The Soviets therefore anticipated that revision of the international relationships and domestic political systems of eastern European countries would not be seen by the US as non-cooperative signals. In the "Maisky memo" of January 1944, the Assistant Commissar of Foreign Affairs advocated "interference into the domestic affairs of [eastern European] nations" in order to bring about "popular front-type governments" that would serve as precursors to socialism. Yet he anticipated not only that these interventions would be approved by the Anglo-Americans ("since democratic government is one of the main guarantors of durable peace"), but that the US and Britain might actually contribute to these interventions in support of Soviet revision (quoted in Pechatnov, 1995, p. 4). As of October, 1944 the Soviets planned to install a communist government in Germany with no opposition parties, collectivized agriculture, and a state-directed economy, yet still expected that this regime would maintain "friendship with the West," and not upset Soviet-Allied

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[2]Quoted in Gaddis, 1972, pp. 138-139, 163; *FRUS, Yalta*, pp. 842-843, 854. At Yalta, Stalin argued bluntly in response to Allied proposals to reorganize Poland's government that the Lublin regime was representative of Poland, and that Poland's government should be decided "without outside intervention." The Soviet delegation worded the treaty so that participation was restricted to "non-fascist parties," which were left undefined. Molotov recommended that "strong support...be given to those [that] took an active part in the struggle against German occupation" in Polish elections, and noted that the Declaration on Liberated Europe "amounted to interference in the affairs of liberated Europe" (quoted in Mastny, 1979, pp. 250-251).

cooperation (Mastny, 1979, p. 233). Stalin's famous quote to Yugoslav communist leader Milovan Djilas reveals his belief that he and Roosevelt had reached a common understanding: "whoever occupies a territory also imposes on it his own social system. Everyone imposes his own system as far as his army can reach. It cannot be otherwise." (Djilas, 1962, p. 114). Immediately after Yalta, Moscow dispatched a glowing communique to Soviet embassies reporting that "our influence in general and that of Stalin in particular were extraordinarily great. The cooperation of the "Big Three" is now very close..." (quoted in Roberts, 2006, pp. 242-243).

In sum, American retrenchment from Eastern Europe convinced the Soviets that they could revise the international order in that region at little to no cost, not only from direct US opposition, but also more general US containment. As the retrenchment game predicts, this removal of US constraints over the Soviet Union increased its incentive to attempt immediate revision, in order to realize its true goals in a region it considered to be of vital importance. However, FDR's reassurance inadvertently misled Stalin to think that revision would be acceptable to the US, rather than a non-cooperative signal. As a result, as they occupied Eastern Europe at the end of the war, the Soviets took numerous actions that American policymakers viewed as contrary to their preferences for the international order.

5.3.2 Soviet Revision in Eastern Europe

The most non-cooperative Soviet behavior in 1944 centered on Poland. In July, after crossing the 1941 Polish border, the Soviets established a communist-led Polish government in Lublin to replace the government-in-exile in London, and

severed contact with the London Poles (Mastny, 1979, pp. 167-176). In August and September, Stalin refused to aid a Polish uprising in Warsaw against the Nazi occupiers, instead allowing the rebels to be massacred. Moreover, Stalin denied Britain and the US access to Soviet airfields that would allow them to aid the rebellion either, referring to the leaders of the uprising as "power-seeking criminals." The apparent Soviet motive was to eliminate the non-communist groups within Poland that would compete with the communist Lublin government for postwar control (Mastny, 1979, pp. 183-186; Davis, pp. 109-116; Roberts, 2006, pp. 214-215). In December, after occupying Poland, Stalin refused to make cosmetic concessions to Roosevelt over the composition of the Lublin regime, to delay recognition of the Lublin Government until after the Yalta conference, or to hold even rigged elections (Dallek, pp. 503-504; 464; Kimball, 1991, pp. 469-470).

Similar behavior occurred elsewhere in Eastern Europe. The Soviet Union also delayed assistance to the Czechoslovak resistance upon entering that country in the fall, in order to maintain the dependence of the Czech government on Soviet patronage, and abruptly annexed the eastern segment of the country to the Soviet Union in October. Following the surrenders of Romania and Bulgaria in the summer of 1944, the Red Army forcibly occupied both countries and elevated communist parties, which had previously been excluded from the anti-fascist governing coalitions, to positions of power "far beyond that warranted by their numbers." After occupying Hungary in October, the Soviets kept the national government under tight control from Moscow and installed communist-dominated local governments. In every country they occupied, the Soviets laid the groundwork for their transformation and integration into a Soviet-led communist sphere, eliminating existing political elites, nationalizing industries, redistributing land, reforming political institutions to increase communist influence, and repressing any resistance to these

developments (Mastny, 1979, pp. 188-191; 196-207, 216-217, 226; Kennedy-Pipe, pp. 45-46; Dimitrov, pp. 62-74).

Soviet non-cooperation continued following the Yalta interlude. Almost immediately after the conference, the Soviets began to violate the American understanding of the Declaration on Liberated Europe. They demanded that the coalition government in Romania be replaced by one dominated by communists, and sponsored a communist uprising to install a puppet regime. The Soviets refused to moderate these policies even in response to Anglo-American protests citing the Declaration (Mastny, 1979, pp. 255-257; Gaddis, 1972, pp. 164, 171). In March, the Soviet Union revised the composition of the Czechoslovak government to inflate communist influence, revoked their truce with the British-supported Greek government, and terminated their non-aggression pact with Turkey (Mastny, 1979, p. 261). Stalin refused to even meet with members of the Polish government-in-exile in London, let alone accept them into the new Polish government as had been agreed at Yalta, and demanded that Roosevelt accept the Soviet interpretation of the Declaration so that "the Polish question can be settled in a short time" (quoted in Roberts, 2006, p. 244, see also pp. 268-270). In all the countries under their control, the Soviets ruthlessly repressed opposition groups that could challenge a communist-dominated coalition government, under the guise of combating fascist elements.[3] Just as disturbing to US policymakers was the Soviet Union's imposition of bilateral alliances and exploitative preferential trade agreements with these countries following the installation a "friendly" government, and delays in Soviet

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[3] In addition to radical redistributive reforms designed to dismantle existing socioeconomic class structures, the Soviets suppressed nationalist militias and created political structures that would facilitate the replacement of transistional "people's democratic" coalition governments with purely communist ones. Political freedoms, especially of the press, were highly circumscribed. In Poland, by the end of 1945 over 20,000 political prisoners from the opposition "home army" had been taken by the Soviets, and in Romania, the communist-led coup was executed with the support of two Soviet divisions outside of Bucharest (Leffler, 1986, p. 98; Zubok, 2007, pp. 22-25)

accession to the Bretton Woods agreements underpinning the liberal postwar international economy that the US valued so highly (Gaddis, 1972, p. 203; Leffler, 1992, pp. 8, 35, 40, 51, 104).

US retrenchment also impacted the Soviet calculus on issues beyond Eastern Europe in late 1944. Soviet leaders had decided privately in March to retain political control of northern Iran in order to obtain exclusive rights to oil resources there, and considered the region part of their "rightful sphere" (Yegorova, 1996, pp. 3-4). That fall, given US assurances that they would not oppose Soviet oil interests, the Soviets demanded a "political agreement" of unspecified terms, under the assumption that this action would be seen by the US as necessary for Soviet security.[4] When the shah refused, the Soviets called for the Iranian government to be replaced, and mobilized the Iranian communist party to conduct demonstrations against the regime. The Soviet Ambassador to Iran told Harriman in December that the USSR "intended to take aggressive measures to attain Soviet objectives" (quoted in Kuniholm, 1980, pp. 194-201).

5.3.3 Soviet Misrepresentation

Thus, the Soviets clearly expected that their revisions in 1944 would be acceptable to the western Allies, and consistent with their ongoing strategy of misrepresentation. As Geoffrey Roberts writes, "Stalin saw no contradiction between a peacetime Grand Alliance and the beginning of a Europe-wide transition to socialism..." (Roberts, 2006, pp. 190-191). Because they still expected that continued cooperation would allow them to avoid incurring opposition, the Soviet Union's

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[4]The contract for this concession was to be drawn up by Herbert Hoover, Jr., the son of the former president, who saw a Soviet concession in northern Iran fully compatible with American interests in the south.

non-cooperative behaviors were nested within a broader strategy of cooperation and restraint: the Soviets did not attempt revision on any issues that they thought had not already been willingly conceded to them by the US.

By 1944 Stalin had devised a strategy by which he thought he could achieve long-term revision toward a communist order throughout Europe, without taking any actions that the Western Allies would consider hostile to their preferences. This was the concept of "people's democracy" or "national fronts," In July, Moscow issued a strategy for communist parties throughout Europe, the goal of which was "Communist seizure of political power in a fashion that would not rend the Grand Alliance." Immediate attempts at socialist revolution, it stated, would be "a bone of contention between the Tehran powers. The correct policy for a national front requires a series of concessions and compromises which will split our opponents without fundamentally altering our aim: satisfying the demands of the masses and creating a situation favorable to our long-term plans" (quoted in Mark, 2001, pp. 21-22). Stalin described the nature of those compromises to Yugoslav communists in January, 1945:

> We have to forget the idea that the victory of socialism could be realized
> only through Soviet rule. It could be presented by some other political
> systems - for example by a democracy, a parliamentary republic, and
> even by constitutional monarchy." (quoted in Roberts, 2006, p. 236)

Under people's democracy, communists would assume leadership within a coalition of anti-fascist, democratic parties that would predominantly represent workers and peasants, while assimilating intellectuals and the petite bourgeoisie. Socioeconomic reforms would occur piecemeal, with moderate land redistribution and selective nationalization of industries. From there, European countries would proceed

gradually toward Soviet-style socialism through incremental reform and increasing communist political control derived from popular support and electoral success. Essentially, by intervening in eastern European countries to empower communist-led governments in coalition with "bourgeois-democratic" parties, holding elections (even rigged ones) that allowed the existence of an opposition, and enacting moderate reforms rather than Stalinist sovietization, Stalin thought he could sneak socialist expansion in through the back door, without triggering Anglo-American opposition (Roberts, 2006, pp. 245-250; Harbutt, pp. 110-114; Loth, 1996).

Thus, from Tehran though early 1945, Stalin worked to restrain communist activities throughout Europe, even as he attempted limited revision within his sphere. In February 1944 Moscow admonished the Polish communists not to create the impression that they were "carrying out a course of Sovietization in Poland, which, in the present state of external affairs, can only give encouragement to every...enemy of the Polish people." In November, the USSR directed Hungarian communists to serve as a minority in a multiparty coalition government, guarantee private property rights, and implement land reforms that favored independent farmers, noting that this situation may have to continue for "ten or fifteen years" in order to avoid Western opposition (Mastny, 1979, p. 226; quoted in Mark, 2001, p. 23).[5] When the Red Army entered Romania, Moscow publicly pledged not to alter the country's political or social system, and in January ordered Romanian communists to delay nationalization and "take pains not to scare or drive away the bourgeois elements" (Mastny, 1979, p. 195; quoted in Mark, 2001, p. 24). In Bulgaria, even though the communists effectively controlled the country by September, former head of Comintern Georgi Dimitrov advised them to seek no

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[5]Despite their promotion of a national front in Hungary, the Soviets sought to annex territory bordering Hungary in order to facilitate direct intervention should the coalition government break away from Moscow's control (Mastny, 1979, p. 228).

obvious monopoly of power, immediately discontinue sovietization, and eschew all that smacks of revolution, because "the internal and external enemies of our people will assiduously use everything that...might indicate the prosecution of a course of sovietization in Bulgaria" (quoted in Mark, 2001, pp. 31-32).

The Soviets were just as assiduous to avoid provocation in territories outside their sphere. In the spring of 1944, Moscow was first among the Allies to recognize the new right-leaning Italian government, and ordered local communist parties to support the Italian regime, as well as De Gaulle's government-in-exile in France and Jiang Jieshi's (Chiang Kai-shek) Guomindang in China (Haslam, pp. 22, 27; Roberts, 2006, pp. 175-176; Aga-Rossi and Zaslavsky, 1996).[6] In October Stalin pledged that the communists "would not start an adventure in Italy," and that "the Soviet Union did not intend to organize a Bolshevik Revolution in Europe" (quoted in Haslam, p. 24; Roberts, 2006, p. 222). After ceding control of Greece to Britain and splitting influence in Yugoslavia in the "percentages agreement," Stalin subsequently refused to support Greek or Yugoslav communists in their struggles for national power, in order to assuage his allies and abide the terms of the agreement with Churchill. In January he admonished Greek partisans that "In relation to bourgeois politicians you have to be careful" in promoting a socialist order, and prohibited Tito from sovietizing Yugoslavia or annexing Bulgaria, because such provocative actions would put Moscow in a "stupid position" vis-a-vis its allies. Stalin warned the Yugoslavs that it was "necessary to be circumspect in relation to foreign policy...in order not to provoke negative relations or clashes with us" (quoted in Roberts, 2006, pp. 220-221, 235, 245; see also Nation, 1996).

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[6]Stalin's moderate foreign policies and restraint of foreign communists were misrepresentations, not reflections of true Soviet goals (Roberts, 2006, pp. 222; Mark, 2001; Taubman, p. 41). In November, 1944 Stalin justified cooperation with De Gaulle as a temporary expedient on the grounds that "the situation...has afforded De Gaulle the opportunity. Now the Communist Party is not strong enough to knock out the government" (quoted in Haslam, p. 27).

Through the Yalta conference, the Soviets also continued to cooperate on broader issues of the postwar order. In October, Stalin promised to enter the war against Japan *en force* shortly after the conclusion of the war in Europe, and agreed to allow the US to use Soviet air bases in the Far East (Haslam, p. 27). The Soviets also remained enthusiastic about postwar economic cooperation. Stalin indicated to American business leaders in the summer that the USSR would purchase virtually unlimited amounts of American goods, and provide the US with vast exports of raw materials. To that end, in January Molotov requested a postwar loan of $6 billion with which to purchase goods from the US for Soviet reconstruction, and the Soviets agreed at Yalta to a compromise that reparations could be extracted from Germany in kind, rather than hard currency.[7] Also at Yalta, the Soviets accepted the US proposal on UN voting rules, reducing their demand for extra votes from sixteen to two, steadfastly maintained their commitment to German dismemberment and tripartite occupation, and acquiesced to Allied demands that France be granted a seat on the UN Security Council and an occupation zone in Germany (Mastny, 1979, pp. 150, 242; Harbutt, p. 292; Roberts, 2006, pp. 239, 197).

Furthermore, when Stalin did adopt revisionist policies, he consistently couched them in terms of Soviet security needs or the demands of public opinion, both of which were ends that Western leaders considered legitimate and empathized with (Taubman, p. 38). When demanding territorial compensation for Soviet participation in the Pacific war, Stalin invoked Russian nationalism, stating that his people "would have to know what they were fighting for" in order to understand

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[7]Yergin, pp. 62-66; Mastny, 1979, p. 243; Kimball, pp. 171-172. Although Harriman described Molotov's "offer" to accept a loan as "extraordinary in both form and substance," he ascribed the unconventional nature of the request to Soviet "ignorance of of normal business procedures," and recommended that the State department should extend large credits to the Soviet Union as soon as possible (Gaddis, 1972, p. 190, Martel, pp. 169-170; Herring, pp. 158-161).

"the national interest involved" (quoted in Haslam, pp. 27, 43; see also Roberts, 2006, p. 283). A change in the government of Poland was ostensibly required because the London-based government-in-exile was intractably hostile to Russia, and Poland constituted the route of invasion from Germany (Yergin, p. 63; *FRUS, Yalta*, pp. 677-681). In 1944, Stalin justified his territorial and political demands in Europe and Asia on the grounds that Germany and Japan would recover in 20-30 years and needed to be kept "vulnerable on all sides," and on dubious grounds of ethno-nationalism in adjacent Soviet republics which he allegedly had to satisfy (Haslam, pp. 60-61; Roberts, 2006, p. 284; Mastny, 1979, p. 214).

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American assurances that the US would not contest the international order in Eastern Europe and the removal of US military and diplomatic influence from the region convinced Soviet policymakers that they had a free hand in their "sphere of influence". Not only was the US incapable of directly opposing Soviet revision in Eastern Europe, but Soviet leaders (wrongly) believed that the US would not attribute revisionist Soviet actions there to the broader incompatibility of Soviet goals, but rather to Soviet insecurity or isolated preferences on minor issues. Therefore, anticipating that neither direct US opposition nor more diffuse containment would be forthcoming, Soviet leaders began revising the Eastern European order as they occupied the region in 1944, establishing communist-led regimes and organizing the region into an exclusive Soviet political and economic bloc. Thus, the effect of US retrenchment on Soviet behavior corresponds nicely to the hypothesis of the retrenchment game that the decliner's removal of constraints should reduce the riser's incentive to misrepresent, and induce a hostile types to attempt immediate revision.

5.4 US Response to Soviet Revision, September 1944 - May 1945

5.4.1 Negative updating about Soviet preferences

Although the United States initially retrenched from Eastern Europe in order to alleviate Soviet mistrust and satisfy isolationist domestic pressures, American leaders understood *ex post* the effect that their retrenchment had as a screening mechanism, and formed beliefs accordingly. As the retrenchment game predicts, US statesmen saw Soviet actions in Eastern Europe as particularly important signals of its future intentions for the broader international order, because they recognized that the Soviet Union was virtually unconstrained within its own sphere (Davis, pp. 202-395, Lundestad, 1978; Stoler, pp. 233). American leaders thus inferred that if the Soviets maintained self-determination, political freedom and economic openness in the territories it occupied, it was likely to support these core tenets of the liberal international order elsewhere as well, even as Soviet power increased (Leffler, 1992, p. 34). However, in response to the non-cooperative Soviet behavior described above in late 1944 and early 1945, US policymakers gradually formed beliefs that Soviet preferences for the international order were incompatible with their own.

As early as mid-September, following the deadlock over the UN rules at Dumbarton Oaks and in the midst of the Warsaw uprising, Hull cabled Harriman that he had "begun to wonder whether Stalin and the Kremlin have determined to reverse their policy of cooperation" (*FRUS, 1944*, vol. 4, p. 991). American officials saw Soviet failure to aid the Warsaw Poles as tantamount to "cold blooded murder,"

leading Harriman to the opinion that Soviet leaders "are bloated with power and expect that they can force their will on all countries" (quoted in Roberts, p. 215; see also Yergin, p. 75). He warned Hopkins and the State Department that the USSR had revealed itself as a "world bully" that was not security driven, but rather sought "to extend its influence...under the guise of security" (*FRUS, 1944*, vol. 4, pp. 989-993; Harriman and Abel, pp. 340-341). In November, Roosevelt's aide Harry Hopkins admitted that "Roosevelt believes there is going to be another war, and he has made up his mind that in that war there will be a strong Britain on the side of the United States" (quoted in Haslam, p. 24). In December, Roosevelt was "disturbed and deeply disappointed" by Stalin's refusal to delay recognition of the Lublin government in Poland or even allow cosmetic changes for the benefit of American public opinion, and warned Stalin that his actions would have an "unfortunate and even serious...effect on world opinion" (*FRUS, Yalta*, pp. 221-226; Dallek, p. 504; Kimball, 1991, p. 171). Days later, FDR told Stimson that Stalin was using the bogus threat of British containment to insist on controlling the countries of Eastern Europe, to which Stimson replied that the US could gain nothing from "easy concessions to Russia," and should instead "be more vigorous on insisting upon a quid-pro-quo." Consequently, Roosevelt planned to bargain firmly with Stalin at Yalta over influence in the Far East and the rules on the UN (quoted in Dallek, pp. 507, 515, 521; Stoler, pp. 211-214).

This negative updating was temporarily muted by Soviet cooperation at Yalta. Hopkins encouraged Roosevelt to grant the Soviets reparations, stating "the Russians have given in so much at this conference that I don't think we should let them down," and Alexander Cadogan of the British Foreign Office had "never known the Russians to be so easy and accommodating." Roosevelt emerged optimistic and satisfied, convinced that the conference had confirmed his hopes for postwar

cooperation. Hopkins wrote that "The Russians had proved that they could be reasonable and farseeing and there wasn't any doubt in the minds of the President or any of us that we could live with them and get along with them peacefully for as far into the future as any of us could imagine." Even Churchill, who notoriously distrusted the Soviets, told his Cabinet, "poor Neville Chamberlain believed he could trust Hitler. He was wrong. But I don't think I'm wrong about Stalin" (quoted in Yergin, pp. 65-67; Dallek, pp. 520-521).

However, in light of immediate Soviet violations of the American understanding of the Yalta agreements, US leaders resumed their negative updating about Soviet intentions. Stettinius noted "a spectacular change from the mood of [Yalta] to more recent developments of an unfavorable nature" (quoted in Yergin, p. 78). Importantly, this shift in American beliefs began prior to Roosevelt's death, and so was not primarily due to differences in the personal beliefs and diplomatic skill between FDR and Harry Truman. By March, Roosevelt himself expected the Soviets to "go their own way" on all issues that were not directly monitored and enforced by the United States, and agreed with Harriman that "We can't do business with Stalin. He has broken every one of the promises he made at Yalta" (quoted in Haslam, p. 45). When Stalin reacted furiously to American exclusion of the Soviets from negotiations for the surrender of German forces in Italy, accusing the US of attempting to make a separate peace, FDR developed "bitter resentment" at "such vile misrepresentations."[8] Roosevelt expressed his perception of Soviet non-cooperation in Poland in a message to Stalin, saying pointedly that "any such solution which would result in a thinly disguised continuance of the present Warsaw regime would be unacceptable...This point is clearly brought out in several

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[8]To Harriman, the "Berne incident" demonstrated the Soviet intention "to dominate all matters relating to Germany," and for Stimson it "indicated a spirit in Russia which bodes evil in the coming difficulties of the postwar scene" (Mastny, 1979, p. 259; quoted in Gaddis, 1972, pp. 92-94).

places in the agreement" (*FRUS, 1945*, vol. V, pp. 194-196).[9]

Because he was a moderate whose optimism had increased greatly in the afterglow of Tehran, the shift in Ambassador Harriman's beliefs is particularly indicative of the trend among US policymakers. Observing Soviet behavior after Yalta, Harriman grasped the effects of US retrenchment on Soviet incentives: "Stalin and Molotov at Yalta considered by our willingness to [recognize] the need of the Red Army for security behind its lines [and] the predominant interest of Russia in Poland...that we understood and were ready to accept Soviet policies." Harriman thereafter appreciated that revision in that context was a true reflection of Soviet preferences for the international order. He wrote in March, "It is apparent...that Molotov is under instructions from Stalin and his associates to fight every inch of the way and to give as little ground as possible." In April, he predicted that the Soviets "will ruthlessly strip the enemy countries they have occupied of everything they can move, will control the foreign trade of countries under their domination as far as practicable [and] will use political and economic pressure on other countries, including South America, to force trade agreements to their own advantage" (quoted in Gaddis, 1972, p. 216). After Roosevelt's death, Harriman was convinced "that the Soviets...were not going to live up to their agreements." He warned the State Department that increasing Soviet influence was "a threat to the world and to us" that was potentially "just as dangerous as Fascism or Naziism," and advised that the US "should do everything it could [short of war] to impede Russian moves in Eastern Europe" (quoted in Gaddis, 1972, p. 227; Yergin, pp. 77, 85). Undersecretary of State Dean Acheson agreed with Harriman's assessment

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[9]British statesmen also reacted negatively to Soviet post-Yalta behavior. In response to the Soviet arrest of the London Poles in April, Churchill advised Roosevelt that they must "shake hands with the Russians as far to the East as possible," and Cadogan, so optimistic two months prior, wondered "How can one work with these animals?" (quoted in Haslam, p. 46; Yergin, p. 99).

in May that the Soviets "are behaving badly and...attempting to dominate Europe and elsewhere" (quoted in Haslam, p. 56).

Upon assuming office, Truman, a foreign policy neophyte, quickly assimilated the prevailing wisdom of his advisors in the US military and the State Department (Yergin, pp. 69-83, esp. 79; Leffler, 1986, pp. 93, 96; 1992, p. 27). Truman was told by the State Department that although Soviet predominance had been recognized in Eastern Europe, Soviet rule there had been "excessively domineering," and was in violation of the Yalta agreement. Harriman impressed upon Truman that the Soviet threat was akin to "a Barbarian invasion of Europe," and that for the Soviets "influence" meant not "merely influence on [the] foreign relations" of neighboring states, "but the extension of the Soviet System [*sic*], with secret police, extinction of freedom of speech, etc." (*FRUS, 1945*, vol. V, p. 195). Admiral William Leahy, Truman's chief of staff, made it clear to him from the beginning that the US should "take a strong American attitude toward the Soviets" (quoted in Leffler, 1992, p. 31). As a result, Truman discerned early on that the Soviets only understood "the tough method," and that "our agreements with the Soviets so far have been a one-way street, and that could not continue...if the Russians did not wish to join us [in creating a liberal postwar order] they could go to hell" (quoted in Yergin, pp. 81, 101).

Yet there still remained substantial ambiguity about Soviet intentions in mid-1945, even in light of their clearly non-cooperative actions, because (as Stalin had hoped) these actions could still be attributed to ends that were unrelated to Soviet preferences for the broader issues of the international order that were more vital to the US. Many US officials believed that Stalin was of "two minds" about whether to pursue long-term revision or cooperation with the US, and that he was subject

to conflicting pressures from "imperialist" and "collaborationist" camps within the Kremlin (Mastny, 1979, p. 213). Stimson qualified Soviet violations of Yalta by noting that "outside the United States" and Britain, no country "understood free elections." Disturbed by the friction in his early dealings with the Soviets and committed to continuing Roosevelt's policy of cooperation, Truman sent Harry Hopkins to Moscow in May, 1945 to iron out the apparent misunderstandings that seemed to be causing Soviet violations of the Yalta agreement. Hopkins returned "bubbling with enthusiasm about his meetings with Stalin," reporting "with obvious sincerity" that "we can do business with Stalin! He will cooperate!" This report moved Truman, who reflected before Potsdam that the Soviets had "always been our friends and I can't see why they shouldn't always be" (quoted in Haslam, p. 56).

In sum, it was clear to US policymakers by 1944 that Soviet behavior in Eastern Europe was virtually unconstrained. In keeping with the logic of the retrenchment game, they therefore saw Soviet actions in the region as a test of its future intentions elsewhere, once it had gained power more generally. In contrast to the lack of American updating in response to non-cooperation Soviet behavior in 1943, which was attributed to the high constraints the Soviets then faced (see Chapter 3), the Soviet response to the Warsaw uprising and subsequent violations of the Yalta accords prompted a distinct negative shift in the beliefs of US officials. Nevertheless, this shift remained incomplete, because Stalin continued to couple his revisionist behavior on some issues with cooperation on others, and couched revision in terms of Soviet security needs. Thus, his promises of cooperation at Yalta in February and his meeting with Hopkins in May tempered the change in American beliefs.

5.4.2 Increased Hedging Against the USSR

As US leaders grew more suspicious of Soviet intentions as the war in Europe drew to an end, they markedly increased their degree of containment of Soviet power. By mid-1945, US foreign policymakers (in the aggregate) knew that Soviet goals were at least moderately incompatible with US preferences, but thought that the Soviets were compatible enough that they could be deterred from revision if the US took a firm policy against actions it deemed unacceptable. The US therefore employed a hedging strategy designed to shape Soviet behavior that mixed conditional accommodation in response to cooperative Soviet actions with policies to contain the growth of Soviet power and limit the spread of Soviet influence beyond Eastern Europe.

In response to Stalin's meeting with Churchill in October 1944, Roosevelt pointedly backtracked on his commitment to disengage from Europe as quickly as possible, demanding that Harriman be present to observe the proceedings and asserting that "there is literally no question, military or political, in which the United States is not interested" (quoted in Roberts, 2006, p. 225; Yergin, p. 61). By the end of 1944 official US policy was to prevent the "domination of the resources and manpower of Europe and Asia by the rising power of Russia," by accepting the division of Europe into "spheres of Soviet and non-Soviet predominance" while seeking "to establish and maintain independent democratic regimes within both spheres" (quoted in Mark, 1989, p. 950). Roosevelt was unambiguously planning to adopt "atomic diplomacy," i.e., using a US nuclear monopoly to leverage political concessions from the Soviets and deter Soviet expansion. Roosevelt agreed with Henry Stimson that the US should avoid telling the Russians about the bomb "until we were sure to get a real quid pro quo for our frankness," even though they

knew that the Soviets were aware of the Manhattan Project and that secrecy could have a deleterious effect on Soviet trust of the US (quoted in Bernstein, 1975, pp. 30-31). In early 1945, Roosevelt told Henry Morgenthau that "I think it's very important that we hold [a postwar loan] back and don't give [the Soviets] any promise of finance until we get what we want" at the Yalta conference (quoted in Gaddis, 1972, pp. 135-136, 191).

FDR continued to hedge against rising Soviet power during the conference. He made their recognition of the Soviet-backed Polish government in Lublin conditional on its reorganization to include members of the Polish government-in-exile in London and deferred approval of the Soviet proposal of $10 billion in reparations to a later meeting (Roberts, 2006, p. 241; Mastny, 1979, pp. 243-245). Like withholding nuclear technology, postponing agreements on reparations and reconstruction aid was designed to maintain the US military and economic power advantage over the USSR, in order to leverage Soviet cooperation with the American interpretation of Yalta and forestall (and reverse) revision of the international order.[10] Likewise, FDR saw the UN itself as a means of constraining Soviet behavior in the future, both by offering the USSR benefits of collective security and by coordinating other states, particularly China and France, in a balancing coalition should Soviet intentions prove hostile. In FDR's view, a secondary benefit of Soviet entry in the war against Japan was that it would distract the Soviets from attempting revision in Europe while the US remained tied down in the Pacific, which partially explains FDR's anxiety at Yalta over securing Stalin's commit-

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[10]Roosevelt responded to William Leahy's complaint that the Soviets could "stretch it all the way from Yalta to Washington without technically breaking it" by saying resignedly "I know it. But it's the best I can do for Poland at this time." This quote encapsulates Roosevelt's intention to rectify the negative aspects of the Yalta agreement through the sticks of US atomic power and economic leverage over the USSR, as well as the carrots of security guarantees and institutionalized cooperation (quoted in Gaddis, 1972, pp. 165, 191-197; Dallek, pp. 515, 521; Leffler, 1986, p. 91). On FDR's plans to use the US nuclear monopoly to extract concessions from the Soviets, see Bernstein, 1975, p. 31.

ment to enter (Haslam, p. 45; Stoler, p. 225; Kimball, pp. 175-183, 191; Leffler, 1986, p. 102).

Following Yalta, the US attempted to wield its economic and nuclear leverage to "control, discipline and punish" the Soviet Union, using postwar loans, Lend-Lease aid, and reparations as instruments. The Americans protested the Soviet Union's bilateral trade agreements with the countries it controlled, and pressured the Soviets to open their sphere to international trade and make food, coal and other raw materials available to Western Europe. Both Roosevelt and Truman refrained from discussing a postwar loan despite Molotov's inquiries, and restrictions on Lend-Lease aid were increased in the spring (Leffler, 1986, pp. 97, 100; Yergin, p. 93). In May, with the Lend-Lease protocol set to expire upon the end of hostilities in Europe and no agreement in place for postwar reconstruction aid, the State Department abruptly cut off supplies to the Soviet Union, even recalling shipments already *en route* to Russia. These actions were designed to redress the asymmetric benefits that the Soviets were obtaining from Lend-Lease, thereby reducing their rise relative to the US, while also demonstrating Soviet dependence on US economic assistance in order to gain bargaining leverage over political issues (Herring, pp. 106-108; Yergin, p. 94; Gaddis, 1972, pp. 216-218, 223-224). By June, the Truman Administration was seeking to revive Germany's economy, in order to forestall the threat of revolution or Communist expansion, and to cultivate a strong Western Europe that could serve as allies to balance against rising Soviet power in the East (Leffler, 1986, p. 104). The US therefore revised its position on reparations to be less harsh on Germany by reducing the total amount extracted and prioritizing payment for western imports for German reconstruction over reparations payments (the "first charge" principle) (Yergin, p. 96).

Roosevelt and Truman also retreated from FDR's earlier pledges not to interfere in the Soviet sphere in Eastern Europe, protesting Soviet intervention in the political systems and economic policies of Poland, Romania and Bulgaria, and invoking the US right to be consulted on the structures of those countries (Haslam, p. 44, Leffler, 1986, p. 100; Mark, 1981, pp. 325-331; Roberts, 2006, pp. 244-245). After taking office, Truman continued to establish a harder line toward the Soviet Union. In his first meeting with Molotov, Truman berated the Soviet Foreign Minister to "carry out your agreements" made at Yalta regarding the composition of the Polish government, and made US recognition contingent on Soviet adherence to the literal US interpretation of the Declaration on Liberated Europe (Gaddis, p. 204; Haslam, p. 54; Yergin, p. 83). The US also began its infamous policy of containing the spread of communism in Southeast Asia. In response to De Gualle's warning in March that a weak France would likely "fall into the Russian orbit," FDR ordered US air forces to aid the French in retaining Indochina (Dallek, pp. 512-513). Later, the Truman Administration made "every effort to improve relations with France" by returning to the colonial status quo ante in Indochina, noting that it would be "necessary to propitiate France" as a bulwark against Soviet influence in both Europe and Asia (Yergin, p. 89).

The shift toward a containment strategy was revealed to the Soviets not only by American actions, but also by increasingly hawkish Allied statements after Yalta. Churchill told the Soviet ambassador in May that demobilization of the RAF had been suspended so that Britain could "enter upon discussions about the future of Europe with all the strength they had," and his missives to Eisenhower and Roosevelt to "shake hands with the Russians as far to the East as possible" were relayed to Stalin by Soviet intelligence (quoted in Mastny, 1979, p. 283; Haslam, p. 46). In June, Stalin learned of a US proposal for the collaboration

of British and American intelligence agencies against the Soviet Union, as well as of Churchill's message to Truman expressing his "profound misgivings" about the Allied withdrawal from eastern sector of Germany "thus bringing Soviet power into the heart of Western Europe and the descent of an iron curtain between us and everything eastward" (quoted in Haslam, p. 50).

US containment of the Soviet Union continued to emerge in the second half of 1945. At Potsdam, Truman and his new Secretary of State, James Byrnes, began to overtly implement the long-implicit American policy of "atomic diplomacy," attempting to roll back Soviet influence by flexing America's new nuclear muscles. Truman mentioned suggestively to Stalin that the US had just tested a weapon of "unusual destructive force," assuming that this information would induce the Soviets to capitulate on all outstanding issues (Holloway, 1994; Leffler, 1986, pp. 107-108; Yergin, pp. 92, 105; Bernstein, 1975, p. 47).[11] With the realization of nuclear weapons making Soviet involvement in the Pacific war unnecessary, the US tried to block Soviet gains in the Far East. Throughout May and June, US officials had been plotting options to extricate themselves from the concessions in Asia that FDR had granted the Soviets at Yalta. Truman instructed the Chinese to adopt a hard bargaining position against the Soviets, in the hope that failure to secure Chinese approval would absolve the US from fulfilling its Yalta obligations. After Potsdam, the US tried to expedite Japan's surrender before the Soviets could enter the war by releasing an ultimatum over Soviet objections in July, and relaxed the terms of unconditional surrender after Hiroshima. Stimson admitted that US actions were aimed to end the war "before the Russians could put in any substan-

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[11]Belief in the efficacy of atomic diplomacy was endemic to us foreign policymakers. "The bomb" said Byrnes, "might well put us in a position to dictate our own terms" and "in the end, it would control" the outcomes of the Potsdam conference. Truman called it his "ace in the hole," and Stimson marvelled at the 'differences of psychology which now exist since the successful test" (Bernstein, 1975, p. 34; Leffler, 1992, p. 38).

tial claims to occupy [Japan]." Following Soviet entry and Japanese surrender in August, Truman denied the Soviet Union any say in negotiating Japan's surrender, participating in the occupation, or acquiring spoils beyond what had been explicitly promised at Yalta. In response to Stalin's request to receive Japan's surrender, Harriman was indignant: "The Soviet Union cannot present such demands after a total of two days at war with Japan" (quoted in Leffler, 1992, p. 38; Haslam, p. 63; Roberts, 2006, pp. 290-294).

In addition, despite recognizing Poland in July, the Americans continued to oppose Soviet behavior elsewhere in Eastern Europe. In May, Truman accused Moscow of inciting Tito's Yugoslav communists to attempt to expand into Trieste, and interceded with Stalin under the implicit threat of force to compel the communists to withdraw (Yergin, pp. 90, 101; Leffler, 1992, p. 75). At Potsdam, Byrnes attempted to alter the Yalta agreement by enlarging US influence within the Allied Control Commissions in Eastern Europe, thereby diluting Soviet control over its sphere. He also rejected Soviet proposals for reparations from Germany of any fixed value. Instead, the US restricted the Soviets to reparation payments in kind, to be taken only from the Soviet occupation zone in the east, and denied them any influence over economic policies in the industrialized western zones (Leffler, 1986, pp. 101-105). The US steadfastly refused to recognize Soviet-controlled regimes in Hungary, Romania and Bulgaria until free elections were held and nondiscriminatory trade policies were implemented, prompting the Soviets to break precedent by unilaterally recognizing those governments in August (Mark, 1981, p. 327, Leffler, 1986, p. 101).

The United States also expanded its postwar military planning to meet increasingly likely Soviet threats. US military planners, with Truman's approval,

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augmented and implemented Roosevelt's plans for an overseas network of military bases that would allow the US to balance against Soviet power in any region of the world, and set about obtaining security treaties throughout Latin America to ensure American preponderance in the Western Hemisphere (Leffler, 1992, pp. 59-61; Stoler, pp. 234, 239-245). The US reversed its position on conceding access to the Dardanelle Straits and bases in the Mediterranean to the Soviet Union, refusing to make substantial alterations to the Montreaux Convention that granted control of the straits to Turkey and rejecting Soviet claims to former Italian colonies in North Africa (Leffler, 1992, pp. 77-78).

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The retrenchment game predicts that, regardless of the initial motivation for the withdrawal of US power, American leaders should have understood that Soviet behavior in the absence of US constraints in Eastern Europe was a credible signal of broader Soviet intentions in the future, as its increasing power removed constraints over its behavior more generally. This section has shown that in 1944-45, US officials did indeed see unconstrained Soviet behavior as a key test of its intentions. In response to Soviet exploitation of the Warsaw uprising and Stalin's violations of the Yalta agreements, even the inveterately optimistic Roosevelt grew more pessimistic about the prospects for postwar cooperation. This pessimistic shift is in stark contrast to the lack of American updating in response to initial Soviet attempts at revision in 1943 described in Chapter 3, which US leaders could more plausibly attribute to the high external constraints that the Soviets were facing. Although US updating was tempered by Stalin's continued misrepresentation on other issues and his attempts to frame revisionist actions in terms of security needs, the negative shift in beliefs resulted in a clear increase in US hedging against rising

Soviet power by early 1945 - prior to FDR's death. The next section will show that, as the baseline version of the power shift game predicts, this escalation of US containment further reduced Stalin's incentive to misrepresent, and increasingly prompted the Soviets to abandon their attempts at maintaining cooperation in favor of immediate revision.

5.5   The Power Shift Game and Escalation to Cold War

The logic of the retrenchment game is necessary to explain the initial Soviet decision to attempt revision in Eastern Europe, despite the belief of Soviet leaders that refraining from revision would allow them to avoid opposition from the US and continue to gain power that would facilitate revision in the future. However, once the initial non-cooperative Soviet signals had prompted US leaders to negatively update their beliefs and increase their degree of hedging against rising Soviet power, the subsequent escalation to the Cold War is best explained by the baseline version of the power shift game.

As presented in Chapter 1, the power shift game predicts that preventive action by a declining state should reduce the incentive for hostile rising states to misrepresent their preferences, and induce them to attempt immediate revision. Chapter 3 showed that US reassurance of the Soviet Union in 1943 convinced Stalin that no preventive opposition was forthcoming from the United States as long as he continued to behave cooperatively. This belief, in turn, increased the incentive for the USSR to misrepresent its revisionist goals by continuing to cooperate by showing support for the liberal postwar order that the US preferred. In contrast, as the US began to reestablish its hedging strategy in response to revisionist Soviet behavior

in Eastern Europe in early 1945, it reduced the Soviet incentive to misrepresent and prompted the USSR to preemptively escalate the scope and extent of its attempted revision of the postwar order. Because the Soviets had anticipated that revision in their sphere would not be interpreted by the US as a non-cooperative signal, they inferred from increasing US opposition that further containment from the US was forthcoming in the postwar era, even if the USSR continued to cooperate. Thus, as they came to perceive a significant degree of US containment opposition to be unavoidable, Soviet leaders opted to immediately revise the international order in accordance with their goals across a broad range of issues, and progressively abandoned their short-term strategy of cooperation under a US-led liberal order.

Increasingly unambiguous Soviet non-cooperation in 1945 initiated a negative spiral of hostility, prompting US official to grow more pessimistic and increase their containment of the Soviet Union, which further reduced the Soviet incentive to refrain from immediate revision. However, neither the Soviets nor the Americans were eager to abandon cooperation, given the high costs of conflict to both sides. Thus, the transition to Cold War progressed incrementally from high US uncertainty, limited hedging and moderate Soviet revision within a broad strategy of misrepresentation in early 1945, to unambiguous American distrust, comprehensive containment and open Soviet attempts at revision by the start of 1947.

This action-reaction cycle is commonly characterized in the historical literature on the origins of the Cold War as a tragic spiral of misperceptions between two states with benign intentions: US policymakers simply misinterpreted fearful, security-driven Soviet actions as signs of aggression and unnecessarily escalated containment, resulting in the Cold War. The theoretical insights of the power

shift and retrenchment games offer a different interpretation of these events that is better supported by the historical evidence: US retrenchment and then prevention reduced the Soviet Union's incentive to misrepresent, inducing Stalin to reveal his incompatible goals by attempting immediate revision. In response, American leaders rationally and accurately updated their beliefs that Soviet intentions were hostile, and adopted a containment strategy that effectively forestalled the rise of Soviet power, and prevented further Soviet revision of the international order. Thus, the Cold War was not a tragic, unnecessary conflict, but a conflict between states with truly incompatible preferences.

5.5.1 Soviet Response to US Hedging: Immediate Revision

Throughout 1944, American retrenchment convinced Stalin that the US would remain aloof from Europe and that Soviet revision in its Eastern European sphere was compatible with US preferences for the international order. Thus, through the early part of 1945, the majority of Soviet Union's non-cooperation was due to a perceived lack of constraints over its behavior. However, increasingly hard-line US policies in the spring and summer of 1945 led Soviet leaders to anticipate that a significant degree of US opposition was unavoidable, even if they continued (as they thought they had) to behave cooperatively. As the power shift game explains, this anticipation of preventive containment reduced the incentive for the Soviet Union to misrepresent its incompatible preferences, prompting the Soviets to abandon their attempts at cooperation, and instead expand their attempts to immediately achieve their revisionist goals over the course of 1945. Thus, although initial Soviet revision in Eastern Europe was a response to US retrenchment, the subsequent escalation of non-cooperative Soviet behavior that culminated in the

Cold War was driven by American prevention.

By early 1945, harder hedging by the US was already stoking Soviet suspicions that containment was forthcoming once the common German threat had been eliminated (Haslam, pp. 27-28, 32-33). Stalin retrospectively attributed "the deterioration in [Soviet-Allied] relations...to an accumulation of facts antedating the [Potsdam Conference]" (quoted in Haslam, pp. 57-59). The Soviets viewed the aggrieved Allied reaction to their behavior in Eastern Europe as an obvious shift away from the US policy of accommodation, which portended greater opposition to increasing Soviet power on other issues in the future. As Geoffrey Roberts notes, Stalin was more than a little peeved at Anglo-American interference in his sphere of influence regarding the regimes in Poland, Romania, Bulgaria and Hungary, especially in light of Soviet noninterference in Yugoslavia, Greece and Italy (Roberts, 2006, p. 297). He charged that the American position on Poland amounted to "the establishment of an entirely new government," rather than one dominated by the Lublin Poles, and was "tantamount to direct violation of the Crimea Conference" (quoted in Leffler, 1986, pp. 97-98). Truman's confrontational first meeting with Molotov in April prompted the Foreign Minister to wonder if Roosevelt's policy of cooperation had been abandoned (Gaddis, 1972, p. 205).

Soviet anticipation of Allied containment is manifested in the sustained anxiety among Soviet leaders toward the end of the war that the Anglo-Americans would conclude a separate peace with Germany (Mastny, 1979, pp. 237-238, 259-262). Stalin interpreted Anglo-American ambivalence toward German dismemberment and opposition to reparations after Yalta as evidence that they sought to use a revived Germany against the Soviet Union. He told Czech communists in March that "We must bear in mind that our allies will try to save the Germans and come

to an arrangement with them. We will be merciless towards the Germans, but our allies will treat them with kid gloves" (quoted in Roberts, 2006, p. 243). This anticipation led to Stalin's furious reaction to American attempts to negotiate the surrender of the German forces in Italy, in which he accused Roosevelt of attempting to conclude a separate peace and to coopt Germany as a means of rolling back Soviet wartime gains (Haslam, p. 44; Mastny, 1979, p. 259; Gaddis, 1972, pp. 92-94).

The abrupt termination of Lend-Lease in May was a crucial event in cultivating Soviet anticipation of US economic containment. Soviet officials unanimously regarded the act as an attempt to apply political pressure on the USSR, which signified that "a considerable change in the foreign policy of [the US] should be expected...in relation to the USSR" (quoted in Zubok, 2007, pp. 15-16). During Harry Hopkins' visit to Moscow in late May, Stalin cited this "brutal" action as a major contribution to the deterioration of Soviet-American relations, regarding it as US "pressure on the Russians in order to soften them up," and warned that this would "bring about the exact opposite effect" (quoted in Roberts, 2006, p. 270; Mastny, 1979, pp. 285-286). He indicated his perception of Allied containment to Hopkins with the missive that "the Russians should not be regarded as fools...nor were they blind and could quite well see what was going on before their eyes" (*FRUS, Potsdam*, vol. 1, p. 38).

Despite his extremely positive meeting with Hopkins and his resulting optimism that the US would acquiesce to Soviet demands at Potsdam, Stalin still expected that the western Allies would increasingly contain Soviet power as the glow of victory receded. In July Stalin told Chinese Foreign Minister TV Soong that "they [the Anglo-Americans] want to preserve Germany for a political game,

for balancing...and would begin to give Japan various privileges" (Roberts, 2006, p. 288). He therefore adopted a hard bargaining position at Potsdam, determined to get as much as he could regarding, *inter alia,* influence in Germany, reparations, the recognition of communist governments in Eastern Europe, control of the Dardanelles, influence in Iran, and territory in East Asia, before relations with the Anglo-Americans became more difficult (Roberts, 2006, p. 270).

Consequently, the Potsdam proceedings evinced what Charles Bohlen described as "a certain reserve on both sides that symbolized basic mistrust" (quoted in Roberts, 2006, pp. 272-273). The Soviets viewed American resistance to reparations and administrative division of Germany as an attempt to deny the Soviets access to the wealth and technology of its industrial heartland (Leffler, 1986, pp. 105-106). Molotov expressed to Joseph Davies his disbelief at the extent of the American violations of the Yalta agreements, and Stalin responded to Harriman's suggestions that the Soviets reduce their demands in the Far East by accusing the US of duplicity and accelerating military preparations in the Pacific to ensure Soviet entry into the war before the Japanese surrendered (Harriman and Abel, pp. 494-496, Leffler, 1986, pp. 109-100).

The Soviets also anticipated American use of atomic diplomacy to oppose Soviet gains. When Truman informed Stalin at Potsdam of the American nuclear test in July, 1945, Stalin's response was shockingly subdued. This was in part because the Soviet leader already knew about the bomb through Soviet intelligence (he was likely better informed than Truman himself), but was also a conscious attempt to reduce the bargaining leverage that the new technology would give the US in negotiating the terms of the peace (Mark, 1981, p. 328; Pechatnov, 1999, p. 2). Privately, Stalin reacted strongly to the American acquisition of atomic

technology, and saw Truman's behavior at Potsdam as the beginning of US nuclear blackmail. "They slay the Japanese, they bully us," Stalin commented, but "not atomic bombs, but armies decide war." Subsequently, despite facing an overwhelming task of postwar reconstruction, the Soviets devoted colossal efforts to developing nuclear weapons, and adopted a strategy of standing firm to prevent the US from using the atomic bomb to roll back Soviet gains in Eastern Europe and deny the expansion of Soviet influence in Asia (quoted in Pechatnov, 1999, p. 10; see also Haslam, pp. 61-62, 67, 70; Roberts, 2006, p. 292).

Anticipating that increasingly hard-line US policies were unavoidable, in mid-1945 Stalin began to ratchet back Soviet cooperation in Eastern Europe and beyond, even at risk of revealing the incompatibility of Soviet preferences for the international order. In his correspondence with Truman in April, Stalin refused to make even cosmetic changes to the Lublin Polish government, which was followed by unilateral Soviet recognition, conclusion of a formal alliance, and insistence on Polish representation on the Allied Reparations Commission and at the San Francisco Conference on the UN in April and May. To further demonstrate their resolve to not consent to restructuring of the Polish regime, during the conference the Soviets lured sixteen leaders of the Polish government in London to Moscow and had them arrested. In June they were convicted of treason, despite Hopkins' warning that such an act would jeopardize Big Three cooperation (Haslam, p. 52; Mastny, 1979, pp. 260, 271; 287; Gaddis, 1972, p. 225).

Soviet revision in anticipation of US containment occurred elsewhere in the Soviet sphere in mid-1945. In late April, the Soviets attempted to install a communist-led puppet regime in Austria, as they had done throughout Eastern Europe, but were blocked by Allied objections and the agreement at Yalta for tri-

partite occupation (Mastny, 1979, p. 268). Having forcibly installed communist-led regimes in Romania and Bulgaria, Stalin also remained unmoved by vigorous American requests for changes to the composition of these governments, informing the Soviet commander in Bulgaria that "there should be no concessions whatsoever" in August. This intransigence was due to the Soviet perception that western demands were part of a "Western political offensive" resulting from their new-found sense of nuclear leverage (Roberts, 2006, pp. 245, 274; Zubok, 2007, p. 30). Most strikingly, in response to Allied pressure for liberalization in Eastern Europe at Potsdam, Stalin acknowledged his opposition to free elections anywhere in his sphere as inherently "anti-Soviet" (Leffler, 1986, p. 102).

The Soviets further implied their broadly revisionist goals by abandoning their commitment to German dismemberment. After Yalta, the Soviets rapidly back-tracked from their longstanding position that dismemberment was essential for Soviet security. Indeed, by the end of the war in Europe, Stalin steadfastly *opposed* division of Germany on the grounds that it would lead to "American domination." Instead, the Soviets favored a unified Germany that would be susceptible to communist control, which they could then draw into the Soviet sphere (Haslam, p. 56; Mastny, 1979, p. 261-262). To that end, the Soviets attempted to leverage control of the postwar German political system in the summer of 1945 by restricting the composition of political parties in the Soviet zone, and pressing at Potsdam to constitute Germany as a single economic and administrative unit through which communist influence could diffuse (Mastny, 1979, p. 290).

The USSR also abandoned its strategy of maintaining Allied solidarity on economic issues, and sought to provide for its own reconstruction needs even at the expense of the US and Britain. Before an agreement had been reached on the

nature or amount of reparations to be paid by Germany, the Soviets had already begun to extract equipment and resources from their occupation zone, and unilaterally ceded territory from their zone to Poland, granting their new client much more territory than the Allies had agreed to. These actions made far less food and raw materials available to alleviate shortages in the Western zones, and greatly increased the burden on the US and Britain to prevent starvation and socioeconomic chaos in Germany. The Soviets also refused to distinguish Lend-Lease materials used for reconstruction from those used for the war effort, which the Lend-Lease protocol required them to do, thereby causing substantial consternation in both the State Department and the US Congress (Gaddis, 1972, pp. 217-225, 239-240). Stalin revealed his opposition to the primary American goal of economic openness in a conversation with Jiang Jieshi's son in Moscow, stating that "the Open Door policy was as dangerous to a nation as a foreign military invasion." Jiang then relayed this sentiment to Harriman in January, 1946 (Harriman and Abel, p. 538).

Soviet cooperation receded outside of Eastern Europe as well, in favor of more overt attempts at revision. The activity of communist opposition parties in France and Italy began to re-escalate, with disregard for Stalin's previous promises not to foment international revolution (Haslam, p. 46). Stalin told his General Staff "We began the war [with] in essence a defensive [strategy]. The army must not only defend but it has also to attack, to defend the interests of the state by all means." When Stalin met with Chinese Foreign Minister TV Soong in July, he exerted enormous pressure for concessions beyond what had been granted at Yalta, using threats of Soviet occupation, support for ethnic separatist movements in China's western provinces, and support for the Chinese Communists (Zubok, 2007, pp. 23-24). After the Japanese surrender in August, the Soviet military commanders transferred Japanese materiel to the Chinese Communists, instead of the Guomin-

dang government they officially supported, and maintained troops in Manchuria several weeks beyond the February 1946 deadline (Leffler, 1986, p. 110). In response to Truman's rejection of Soviet participation in the occupation of Japan, Stalin reversed his previous promise to allow American use of Soviet air bases, replying that "neither I nor my colleagues understand the circumstances under which such a request could have been conceived" (quoted in Roberts, 2006, p. 294).

However, through the Potsdam Conference, Stalin still anticipated that broad cooperation on major issues would dampen US opposition substantially enough that some misrepresentation remained worthwhile. As Vojtech Mastny points out, "Stalin still behaved as if he preferred agreement to discord - but only on his own terms" (Mastny, 1979, p. 296). Thus, bolder Soviet revisions were coupled with cooperative actions. Stalin continued to refrain from supporting communists in Greece, and to restrain them in Yugoslavia. In his meeting with Harry Hopkins in May, Stalin reaffirmed his commitment to postwar cooperation, and reassured Hopkins that he accepted the right of the United States to be involved in Poland. He also conceded a minor issue regarding the composition of the Polish government, which led to US recognition of the communist-dominated regime a month later, and sent a deferential note to Truman acknowledging American aid to the USSR during the war. At Potsdam, Stalin reaffirmed to Churchill his commitment not to sovietize Europe (Roberts, 2006, pp. 269-274; Mastny, 1979, p. 288). Even after Truman denied the Soviet request for joint occupation of Hokkaido in August, Stalin was conciliatory, writing Truman that he was "glad the misunderstandings that have crept into our correspondence have been dispelled" (quoted in Roberts, 2006, p. 294).

Moreover, non-cooperative Soviet actions continued to be plausibly justified in

terms of legitimate Soviet economic and security needs. On Poland, Stalin asked for Hopkins' understanding that unilateral Soviet actions in Poland were necessary to ensure a "friendly" government that would maintain Soviet security in the future. Likewise, at Potsdam Stalin justified his demands for territory and reparations from Germany and Japan as a means of suppressing future threats from these enemies, and his demands for control of territory in the Near East as essential for Soviet economic and resource security. In advocating Soviet annexation of Italian colonies Stalin spoke in terms of the liberal ideology on which US preferences for the international order were based: "Britain should not hold a monopoly of communications in the Mediterranean," he insisted, "Russia was anxious to have bases in the Mediterranean for her merchant fleet. World trade would develop and the Soviet Union wished to have a share in it." Stalin further pledged that the Soviets "would take steps to promote a system of democratic government" in whatever territories they controlled (quoted in Roberts, 2006, pp. 275-277).

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As the power shift game predicts, increasing US hedging against the Soviet Union early in 1945 began to convince Soviet leaders that it was no longer possible to completely avoid containment by the US in the postwar era, even if they continued to misrepresent. American grievances toward the Soviet Union's policies in Eastern Europe and pressure to modify its behavior there indicated to Stalin that the US was insincere about accommodating the expansion of Soviet influence. Moreover, the abrupt termination of Lend-Lease aid, delays in establishing a postwar economic loan, and failure to share nuclear technology were all recognized as unambiguous hedges against rising Soviet power. In response, Stalin increased the scope and extent of Soviet domination of Eastern Europe, demanded greater

control over Germany, and reneged on economic agreements regarding reparations and lend-lease aid. Nevertheless, there remained several issues, such as nature of the regimes in Greece and Yugoslavia and the occupation of Japan, on which Stalin thought continued cooperation would serve to delay or mitigate Allied opposition. Therefore, he continued to misrepresent his goals in some instances, as long as it did not require him to forego revision on an issue he considered of vital importance to the USSR.

5.5.2 Negative US Updating and Preventive Screening, Late 1945

The Soviet Union's imposition of communist-led regimes and extractive, hierarchical political and economic agreements within its Eastern European sphere throughout 1945 convinced American policymakers that it sought similar revision in the rest of Europe as well. Byrnes, like most American leaders, was inclined to accept a Soviet sphere, but only with the caveat that it be an "open" sphere that allowed for self determination, free elections, domestic autonomy and most importantly non-discriminatory economic policies (Leffler, 1986, p. 101; Mark, 1981). He complained at the end of the Potsdam conference that "there is too much difference in the ideologies of the US and Russia to work out a long-term program of cooperation" (quoted in Yergin, p. 118). In September, a JCS study argued that the Soviets were "pushing toward a domination of Europe, comparable with that which inspired the Germans, and toward control of the Eastern Mediterranean, the Persian Gulf, Northern China and Korea" (Leffler, 1992, p. 42). Charles Bohlen alerted Truman that it was "difficult to deny" that the USSR was seeking "complete Soviet domination and control over all phases of the external and internal

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life" of Eastern Europe (quoted in Mark, 1981, pp. 328-329).

Entering the London Council of Foreign Ministers (CFM) conference in September, Byrnes intended to win concessions from the Soviets using "the unstated presence" of the atomic bomb and took a hard line on elections and economic openness in Eastern Europe, as well as on US predominance in Japan, characterizing the conference as "in a very real sense, a test of strength" (quoted in Yergin, pp. 123-130). However, US officials were greatly frustrated by the uncompromising Soviet stance at the CFM, which ended in deadlock. Byrnes accused the Soviets of "welching on all the agreements reached at Potsdam and at Yalta" and considered it "unwise for us to rely on their word." Truman complained that "They confront us with an accomplished fact and then there is little we can do," and wondered "if we might be demobilizing too fast" (quoted in Mark, 1981, pp. 328-329; and Yergin, p. 140). Harriman warned "not to be hasty with conciliatory steps" and instead "let the Russians stew for a while" and "maneuver them into making the first step" (quoted in Pechatnov, 1999, p. 8). Byrnes retrospectively recognized that prior US accommodation had given the Soviets a strong incentive to misrepresent, and that cooperative Soviet signals in 1943-44 had been non-credible: "as long as...we were giving them supplies, we had a satisfactory relationship, but now...they were taking an aggressive attitude and stand on political and territorial questions that was indefensible" (quoted in Gaddis, 1972, p. 266).

The Truman Administration therefore continued to escalate containment of rising Soviet power at the end of 1945. The US took extensive measures to transfer Japanese-occupied areas to the Chinese Nationalists and deny them to the Soviets and Chinese Communists, inserting fifty thousand marines into Northern China in September. The US also transported Nationalist forces to strategic locations, and

shockingly even enlisted Japanese units to hold key assets (Leffler, 1992, p. 85). In October, Byrnes protested the USSR's lack of free trade in Hungary and called for tripartite economic control of that country, rejected the legitimacy of Bulgarian elections, and made US troop withdrawal from Czechoslovakia conditional on Soviet reciprocation (Mark, 1981, pp. 229-230; Leffler, 1992, p. 40). He and Truman agreed that they should withhold nuclear energy from the Soviets until they "see if we can get a decent peace."[12] Finally, in November Congress effectively rejected the Soviet request for a postwar loan, signifying the beginning of open US economic containment of the USSR.[13]

Nevertheless, US policymakers remained "minimally hopeful" that Soviet non-cooperation was due to insecurity, rather than fundamentally incompatible preferences. Harriman and John Foster Dulles thought that the Soviets might want to cooperate but were "inordinately suspicious of our every move," and have "a real fear of encirclement." Truman saw "real difficulties," but thought they "could be solved amicably if we gave ourselves time." As disagreeable as they may be," Harriman said of the Soviets, "we have to find some method of getting along" (Leffler, 1992, pp. 40, 47-48; Gaddis, 1972, pp. 267, 274-275; Yergin, pp. 139-141). Thus, in a last-ditch attempt to assuage potential Soviet security fears, towards the end of 1945 Byrnes made proposals to the Soviets for the demilitarization of Germany and international control of atomic energy, and agreed to recognize the governments of Romania and Bulgaria (Leffler, 1986, p. 103; Leffler, 1992, pp. 40-41, 47-48). The understanding among US officials was that if the Soviets rejected

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[12]Truman agreed with Byrnes' assessment, revealing his conviction in October that the US must stay ahead in the nuclear "arms race" with the Soviets, and refering to nuclear energy as a "sacred trust" of infinite duration that the US must hold (Yergin, pp. 134, 141).

[13]More accuratey, Congress delayed approval of the loan until the USSR released the terms of its economic arrangements with the countries in its sphere, abandoned preferential trade practices, and maintained full political freedom, including elections, throughout Eastern Europe and the Soviet Union itself. These conditions, obviously unacceptable to the Soviets, were tantamount to outright rejection (Gaddis, 1972, pp. 260-261).

these proposals, it would confirm that Soviet goals for the international order were truly incompatible with their own.

5.5.3 Soviet Anticipation of Containment & Open Revision, 1945-6

The hardening of US policy toward the USSR after Potsdam - atomic diplomacy, interference in the Soviet sphere in Eastern Europe, retraction of concessions in the Far East, denial of reparations from Germany, and rejection of the postwar loan - confirmed to Soviet leaders that a high degree of containment was unavoidable, regardless of their own behavior. Stalin concluded that American policy was "to intimidate us, and force us to yield on contentious issues concerning Japan, the Balkans, and reparations," and attributed these "Allied machinations" to "American fear of the growing influence of the USSR in Europe." Molotov complained to Byrnes in September that "it seems that the United States does not want to interfere with the English in Greece, but it does with the Russians in Romania," and asserted that American insistence on the reorganization of Bulgaria and Romania was an effort to impose "unfriendly" governments there to threaten the Soviet Union. Molotov later noted that "Byrnes pretended he was not familiar" with US concessions to the Soviet Union, and that he "equivocated and hedged with meaningless phrases" to try to extricate himself from them (Leffler, 1986, p. 101; quoted in Pechatnov, 1999, pp. 2-3).

Stalin was particularly incensed that the Soviet Union was denied any say in negotiating the surrender of Japan, participating in its occupation, or acquiring spoils beyond what had been explicitly promised at Yalta (Haslam, p. 63; Roberts,

2006, pp. 293-294). Stalin called it "the height of impudence that the British and Americans, who call themselves our allies...keep us at arm's length from Japanese affairs" (quoted in Pechatnov, 1999, p. 6). He characterized the US as "assum[ing] the role of tomorrow's friend of Japan" against the Soviet Union, and reiterated this complaint to Harriman in October, suggesting that the US was attempting to reduce the Soviet Union to "an American satellite in the Pacific" (Roberts, 2006, pp. 300-302). In November, Stalin called the American proposal for a Far Eastern Control Commission "duplicitous" and "aimed at our isolation" (Pechatnov, 1999, p. 10).

By the time of the London CFM, the Soviets interpreted virtually all American positions as elements of containment. "The Allies are pressing on you to break your will," Stalin told Molotov, "and force you into making concessions." Stalin asserted that Byrnes had "four objectives in mind: first, distract our attention in the Far East...[second], take the fate of Europe into its own hands; third, to devalue the alliances already concluded by the USSR with European states; fourth, to render pointless all future alliances of the USSR" (quoted in Pechatnov, 1999, pp. 4-6; see also Haslam, pp. 68-70). Molotov complained to British Foreign Minister Earnest Bevin that "During the war...we had managed to come to terms, while the Soviet Union was suffering immense losses. But when the war was over, [the Allies] seemed to change their attitude. Was that because [they] no longer needed the Soviet Union?" (quoted in Roberts, 2006, pp. 299-301). Following the breakdown of the London CFM with no agreements, the Soviets celebrated their "victory" in what they saw as the western Allies' "first postwar diplomatic attack on the foreign policy gains made by the Soviet Union" (quoted in Pechatnov, 1999, pp. 10-11, 8).

Soviet perceptions of containment continued to rise in 1946, reinforced by Churchill's famous "iron curtain" speech as well as Allied obstruction of Soviet aims in the Middle East and the Mediterranean. An internal memo by the Soviet ambassador to the US in September stated unambiguously that Roosevelt's policy of cooperation had been abandoned, and that the US was now attempting to undermine the power of the Soviet Union. Far from being an isolated assessment, this document was a comprehensive reflection of others produced for the Soviet leadership in 1946 (Roberts, 2006, pp. 304-305).

Because Stalin saw US containment as unavoidable, he was unwilling to forgo any immediate gains in a futile attempt to avoid opposition by misrepresenting Soviet goals. As he put it to Molotov,

> "I agree that it is better to let the first session of the Council of Ministers end in failure rather than to make substantial concessions to Byrnes. I believe that we can now either rip off the veil of optimism whose appearance the Americans would like to maintain, or to obtain from them...substantive concessions in favor of the USSR" (quoted in Pechatnov, 1999, p. 7).

The Soviets therefore abandoned cooperation after Potsdam in favor of immediate revision, even though they knew non-cooperation would reveal their incompatible goals to the Allies. Stalin instructed his lieutenants to adopt a policy of "firmness and tenacity" at the London Conference of Foreign Ministers in September, reasoning that even if the Americans "make some concessions...you should still display absolute ademancy. A failure of the conference would mean the failure of Byrnes, and we must not grieve over that" (quoted in Pechatnov, pp. 2, 6; see

also Roberts, 2006, pp. 298-299, 303).[14]

The USSR also expanded the scope and extent of its attempts at revision in 1945-46, with little attempt to conceal its goals. Stalin tightened Moscow's control over the countries in its sphere, and accelerated the sovietization of their political and economic systems. He relaxed restraints over foreign communists, chiding Polish President Gomulka, "You keep conducting a defensive policy. You behave as though you were sitting in the dock" (quoted in Haslam, pp. 69-70). Stalin encouraged Bulgarian communists to "finish off" opposition parties by arresting their leaders. Stalin strikingly reversed his prior policy of restraining Tito's Yugoslav communists, strongly supporting the Yugoslav claim to Trieste at the Paris Peace Conferences (Pechatnov, 1999, pp. 16-17).

The greatest change in Soviet behavior occurred outside Europe. In August the Soviets delivered an ultimatum to Turkey demanding joint control of the straits, backing down only in response to the threat of force by US (Pechatnov, 1999, p. 19; Roberts, 2006, pp. 310-311). The Soviets (unofficially) supported the Chinese Communists against the US-backed Guomindang, and coerced Guomindang leader Jiang Jieshi into ceding exclusive economic control of Manchuria (Leffler, 1992, p. 86; Zubok, 2007, p. 36). In 1945-46, the Soviets attempted to incorporate Iran into their sphere, fomenting a separatist movement that would allow them to retain control of the northern part of the country, and launching secessionist regimes in Azerbaijan and Kurdistan. Instead of withdrawing its military forces from Iran by

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[14]The Soviets ultimately sabotaged the conference proceedings by demanding the exclusion of France and China from participation, and embraced this outcome as an opportunity to escalate their anti-Western propaganda campaign both in the Soviet Union and through communist parties abroad (Leffler, 1992, pp. 39-40; Pechatnov, 1999, pp. 4, 6-7). The Soviets continued to adopt an intransigent negotiating stance throughout 1946, refusing to compromise on any issues of substance. "Everything is laid bare to the bones," one Soviet journalist observed. "Nobody hides that it is a struggle between two systems and that there is no room for diplomacy as such." (Roberts, 2006, pp. 304-305; Pechatnov, 1999, pp. 15-23).

the March 2, 1946 deadline, the Soviets instead increased the number of troops by 25% and advanced on Tehran in an attempt to coerce the Iranian Prime Minister into submitting to Soviet political control (Zubok, 2007, p. 42; Yegorova, pp. 8-10; Leffler, 1986, p. 111; Kuniholm, 1980, pp. 270-282, 313-329).

Finally, the Soviets repeatedly rejected American proposals for a demilitarized Germany, which the Byrnes had intended to eliminate the possibility that Soviet revision was driven by the legitimate security fear of a future German revival, rather than inherently incompatible preferences for the international order. Indeed, the Soviets were not motivated by fear of German revival; instead they saw demilitarization and withdrawal of Soviet troops as an impediment to their goal of communist economic and political control over Germany. As Litvinov acknowledged, "If our security is guaranteed then many of our claims and actions that caused disagreements with the Western states would lose their meaning," and therefore remove the justification for Soviet expansion (quoted in Pechatnov, 1999, pp. 5, 15, 18; see also Mark, 1981, p. 331; Haslam, p. 68; see also Holloway, 2007).

5.5.4   US Escalation to Full Containment, 1946-47

Unrestrained Soviet revision in 1946 led American leaders to fully update their beliefs that Soviet intentions were hostile, and to rapidly move toward a hard-line policy of full containment. Soviet rejection of Byrnes' repeated offers of German demilitarization led Truman to conclude that Stalin's "bluff" had been called, and reinforced American beliefs that Soviet revision was not security-driven (Mark, 1981, p. 331).[15] In January 1946, after receiving a report on Soviet political

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[15]The effect of Byrnes' screening mechanism on US beliefs was most clearly expressed by Michigan Senator Arthur Vandenberg, who wrote of the disarmament proposal, "if and when Molotov rejects this offer, he will confess that he wants *expansion* and not 'security'" (Gaddis,

and economic policies within its Eastern European sphere, Truman vowed to stop "babying the Soviets," and instructed the State Department to take a hard line against the Soviet Union in Romania, Bulgaria, Iran and Turkey, and to balance against Soviet expansion in Asia (Leffler, 1992, pp. 48-49). Byrnes observed in May that American eagerness to accommodate the Soviets had "completely dissipated" in light of their policies in Eastern Europe and the Middle East (Gaddis, 1972, p. 289; Yergin, pp. 190-192).

The reorientation of US grand strategy toward full containment of the USSR cumulated in George F. Kennan's "long telegram" in February, 1946. Kennan portrayed the Soviet Union as an ideologically-motivated, expansionist state that reflexively viewed its existence as incompatible with the existence of capitalism. The US must therefore form a balancing coalition with the rest of the free world to suppress the rise of Soviet power and take a hard line against Soviet revision. Kennan and several other Soviet experts in the State Department had been espousing these conclusions since the beginning of the war, but had been rejected or ignored. However, by 1946, Kennan's views reflected the updated beliefs of US policymakers in response to Soviet non-cooperation during 1945. Thus, Kennan's prescriptions in the Long Telegram created a response that was "nothing less than sensational," and was adopted virtually immediately as the basis for the new US strategy of containment (Gaddis, 1972, pp. 302-304; Kennan, 1967, pp. 292-295).

Thereafter, the US escalated its degree of opposition from a hedging strategy to full containment. The State Department and Joint Chiefs began to formulate plans for war against the USSR.[16] In April the JCS advised that the US ignore treaty

1972, p. 329).

[16]These plans included strategic air strikes against Soviet industries, intervention on the side of Britain and Turkey in any conflict with the USSR, access to British air bases in the Middle East and possession of US air and naval bases throughout the Atlantic and Pacific perimeters, and alliances with Western Europe and China.

deadlines for troop withdrawals in Europe, Japan, North Africa, and the Middle East (Leffler, 1992, pp. 110-114). The US quickly reneged on its agreements in the Far East, denying the Soviets' rights to the Kuril Islands, which Roosevelt had promised at Yalta, or to participation on a tripartite control commission for Japan that Byrnes had promised them at Moscow (Pechatnov, 1999, p. 14; Leffler, 1986, pp. 109-110). As Ambassador to China, George Marshall sought to displace Soviet influence by vigorously supporting Jiang Jieshi's Nationalist forces against the Chinese Communists in 1946-47, supplying Jiang with over $800 million of aid and hundreds of US military advisors (Leffler, 1992, pp. 127-130). In July 1946, the US policy reversed its policy on German unification in favor of a divided Germany, in order to prevent German reunification under Soviet domination (Leffler, 1986, pp. 111-115; Gaddis, 1972, pp. 329-331).

The US also effectively chose to pursue a nuclear arms race with the Soviet Union, rather than the arms control regime that the Administration had favored as recently as fall of 1945.[17] As one General reasoned, "Our monopoly of the bomb, even though it is transitory, may well prove to be a critical factor" in creating a stable international order on US terms. Truman agreed that "We should not under any circumstances throw away our gun until we are sure the rest of the world can't arm against us." Even Henry Stimson, who had been the foremost advocate of sharing nuclear technology with the Soviets in 1945, admitted that "the time has past for handling the bomb the way I suggested to the President last summer," and recommended that the US build as many "atomic missiles" as possible (quoted in Gaddis, 1972, pp. 332-335; Leffler, 1992, pp. 115-116).

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[17]The US proposal for international control of nuclear energy in June, the Baruch Plan, allowed the US to continue to possess and build nuclear weapons indefinitely, and exempted nuclear-related sanctions from the security-council veto so that the Soviet Union could not avoid sanctions if it did the same. American leaders were well aware that the Soviets would reject this proposal out of hand, and they themselves rejected the inevitable Soviet counterproposal for complete nuclear disarmament.

But the core of US containment lay in its economic policies toward the USSR. In May 1946, the US severed reparations transfers from the Western zones after the Allies failed to agree on a unified German administration by the deadline set at Potsdam. In June, the State Department plainly laid out a core US foreign policy objective as being "to limit the use of Soviet power to dominate" the countries in Eastern Europe, by using American economic superiority to cultivate the dependence of the Soviet Union and its satellites on the US, while also building up the economies of Western Europe to prevent Soviet-sponsored indigenous communist expansion and enhance the US capacity to balance against rising Soviet power (Mark, 1981, p. 330). This policy was manifested in a \$3.75 billion reconstruction loan to Britain approved by Congress in June 1946, and eventually culminated in the Marshall Plan in 1947, which extended comprehensive aid to every country in Europe, including those in the Soviet bloc (Leffler, 1992, pp. 118-121, 157-163; Gaddis, 1972, pp. 342-343).

Finally, in early 1947 the US issued military aid to the hapless Greek government for its suppression of communist insurgents. This expenditure was justified to Congress as necessary to prevent communist, and thus Soviet, expansion, which given the zero-sum struggle between the US and USSR for control of the international order, was vital to US security. In what became known as the Truman Doctrine, the President stated that "it must be the policy of the United States to support free people who are resisting attempted subjugation" as a means of defending the American "way of life" against the mutually-incompatible Soviet order (quoted in Gaddis, 1972, pp. 348-351). This event is commonly considered to mark the beginning of the Cold War.

5.6 Conclusion: The Historical Debate on the Origins of the Cold War

In 1943-44, a cooperative equilibrium existed between the US and the Soviet Union. The Roosevelt Administration had decided, and successfully reassured Stalin, that the US would not take preventive action against a cooperative Soviet Union. Given that cooperation would allow him to avoid US containment and continue to gain power that would facilitate revision in the future, Stalin preferred to misrepresent his incompatible goals by supporting the American vision of a liberal postwar international order. Yet by 1946, the US had adopted a strategy of comprehensive containment toward USSR, and the Soviets were openly attempting broad revision of the international order. What explains this dramatic change in US-Soviet relations?

This chapter has argued that the breakdown of Allied wartime cooperation that resulted in the Cold War is explained by the mechanisms of the retrenchment game and the power shift game. As the retrenchment game predicts, American retrenchment occurred in Eastern Europe, a region upon which the US placed low value. However, retrenchment initially occurred not as an intentional screen of Soviet intentions, but as a by-product of Roosevelt's strategy of reassurance designed to remove the security threat that the US posed to the USSR. Because American policymakers elected not to establish a military presence or claim any political influence in the region, and because FDR made it plain to the Soviets that the American public constrained him from taking on nonessential overseas commitments, the Soviets believed that the US had neither the capacity nor the will to oppose Soviet revision in Eastern Europe. Furthermore, Roosevelt's reassurance of the Soviet Union and the extraordinary lengths to which he went to accommodate

Soviet "special interests" in Eastern Europe falsely convinced the Soviets that they enjoyed a free hand in their sphere, and that the US would not see revision there as a non-cooperative signal of more broadly incompatible goals for the international order. Rather, Stalin thought he could pass off the gradual establishment of communist regimes as a form of democracy acceptable to the US, and justify expansionist and mercantilist military and economic policies, respectively, in terms of legitimate Soviet security needs.

Thus, American retrenchment in 1943-44 led the Soviets to perceive that they faced very low constraints over their behavior in their sphere, either from direct US opposition, or more general US containment in response to Soviet revision. As the retrenchment game predicts, this removal of constraints induced the Soviets to revise the regional order in Eastern Europe immediately, rather than continuing to misrepresent their preferences by refraining from revision and maintaining the liberal order that the US preferred. Although the Soviets continued to misrepresent their goals on other issues on which they thought revision would incur US opposition, their non-cooperative behavior in Eastern Europe caused US policymakers - including Roosevelt - to begin to negatively update their beliefs about Soviet intentions. In response, the United States resumed a more vigorous hedging strategy against rising Soviet power by the beginning of 1945, prior to FDR's death. Thus, this case supports the main claim of the retrenchment game that by removing its constraints over a rising state's behavior, a declining state can elicit more credible signals of the riser's future intentions, and subsequently adopt a more optimal foreign policy toward the riser.

From this situation of limited, qualified Soviet revision and moderate US hedging at the beginning of 1945, escalation to open, unrestrained revision and full

containment that characterized the Cold War is explained by the baseline version of the power shift game. The initial increase in US hedging in response to Soviet revision implied to Stalin and the Soviet leadership that some degree of containment was unavoidable, even if they continued to cooperate. Therefore, as the power shift game predicts, this increase in the degree of US prevention reduced the Soviet incentive to misrepresent: Soviet leaders gradually calculated that they were better off abandoning cooperation and attempting to immediately revise the international order across a broad range of issues, rather than foregoing the benefits of revision while still incurring US opposition. Thus, over the course of 1945-6, Stalin escalated the implementation of communist regimes in Eastern Europe, and competed with the US for control of the international order elsewhere in Europe and Asia. This prompted US leaders to grow increasingly pessimistic about Soviet intentions, and adopt a strategy of full containment by 1946.

Viewed through the theoretical lenses of the power shift game and the retrenchment game, the origins of the Cold War sharply diverge from the existing accounts in the historical literature. Three general perspectives on the origins of the Cold War exist among historians: traditionalism, revisionism, and post-revisionism. Traditionalists argue that the Soviet Union initiated the Cold War by attempting to revise the post-war international order in ways that were contrary to US preferences. From this perspective, the United States would have been willing to maintain a post-war strategy of full accommodation toward the Soviet Union, but was forced to adopt a hard-line containment strategy in response to non-cooperative, expansionist Soviet behavior. Revisionists cast the United States as the aggressor in the Cold War, adopting a hard-line strategy toward a Soviet Union that had theretofore exhibited cooperative behavior toward the US. Soviet expansion and competition with the US were simply a response to American at-

tempts to impose economic imperialism on the rest of the world, or implacable American ideological hostility to communism. Finally, post-revisionists claim that the Cold War was a tragic conflict between two great powers with basically compatible preferences for the shape of the international order. Despite having no major conflicts of interest, the US and Soviet Union unnecessarily adopted hard-line strategies toward each other due to uncertainty about each other's preferences, misinterpretations of each other's behavior, and fear that each other's intentions were actually hostile. Each side simultaneously adopted hard-line policies to hedge against this possibility, which exacerbated the other's misplaced fears, and led to a negative spiral of competition and mistrust.

In contrast to the traditionalist argument, the evidence here shows that the United States was not just passively responding to Soviet actions. As Chapter 3 showed, even in 1944, at the height of Allied cooperation, the US was already hedging against the possibility that a rising Soviet Union might attempt revision in the future. In addition, through Potsdam, the Soviets remained cooperative outside their Eastern European sphere, and only attempted moderate revision within their sphere in response to retrenchment alone. It was increasing US hedging in early 1945, despite what the Soviets considered to be cooperative behavior, that prompted the USSR to abandon cooperation by the end of 1945. Thus, contrary to traditionalists, revision by the Soviet Union was in part a response to the containment policies of the United States, not a completely unprovoked attempt at geopolitical and ideological expansion.

However, contrary to revisionist historians, the evidence shows that the US was not the "first mover" in the spiral toward cold war. Rather, the US escalated from a moderate hedging strategy in 1944 to a policy of full containment in 1946 only

in response to Soviet revision in 1944-45. I argue that counterfactually, had the Soviet Union not been tempted by the opportunities for low-cost revision afforded by US retrenchment in Eastern Europe and instead continued to misrepresent, the Cold War would not have occurred as it did: American leaders would have retained optimistic beliefs that Soviet preferences were compatible with their own, and the US would have continued covert, limited containment of the Soviet Union coupled with a high degree of cooperation across most issues. The USSR would then not have revealed its goals by attempting revision until much later in the power shift, when increased Soviet capabilities would have made American containment less likely or effective.

The explanation of the Cold War presented here overlaps most with the post-revisionist perspective. Both suggest that the Cold War was the result of a sequential escalation of hard-line policies by both the US and the USSR, and that initial American opposition to the Soviet Union was a preventive response to uncertain Soviet intentions. However, the interpretations of the retrenchment game and post-revisionism diverge in two major respects. First, post-revisionists claim that the Cold War was caused by mutual US and Soviet uncertainty about each other's intentions. In contrast, I show above that although the initial US hedging strategy was a preventive action caused in part by uncertainty, the escalation to full containment that characterized the Cold War was not: US containment was a defensive response to revisionist Soviet behavior that had led to near-certainty among American policymakers that Soviet intentions were truly hostile. Counterfactually, had the Soviet Union's goals actually been compatible with those of the US, it would have continued to cooperate despite moderate US opposition, and the postwar era would have been characterized by much lower levels of conflict analogous to the moderate diplomatic friction of 1944.

Second, I reject the post-revisionist assertion that the Cold War was a tragic conflict between states with compatible preferences caused by uncertainty. Post-revisionists characterize the moderate initial US containment strategy as a calamitous - and possibly irrational - error, which triggered the security dilemma and engendered misperceptions in both the US and USSR that the other was hostile. In contrast, I argue that Soviet preferences for the international order were inherently incompatible with those of the US, and that Soviet cooperation during the war was an attempt to misrepresent truly incompatible postwar goals. From this perspective, the US hedging strategy late in the war was both rational and felicitous. By prompting the Soviets to attempt immediate revision, the moderate degree of opposition involved in the hedging strategy revealed the Soviet Union's preferences for the international order to be incompatible with the United States'. This in turn allowed the US to implement a strategy of full containment while it still held a significant power advantage, rather than abetting the rise of a revisionist Soviet Union that would have challenged American interests in the future, when the distribution of power would have been less favorable to the US. Thus, because the Soviet Union likely would have attempted revision eventually even if the US had fully acquiesced to its rise (barring a radical change to its internal constitution), it is better from a US perspective that the Cold War conflict emerged and transpired when and how it did.

The case studies in the two preceding chapters demonstrate that the theoretical lens through which historical facts are viewed is extremely important in determining causal relationships. The security dilemma is a dominant concept in international relations theory that explains how mutually benign states can end up in conflict due to insecurity and mistrust: by taking actions to guard against the possibility that the other is hostile, benign states can inadvertently threaten

each other, and evoke a balancing response that leads to "tragic" conflict, despite compatible preferences. Because the breakdown in US Soviet wartime coopera- tion from 1944-1946 fits the basic security dilemma pattern of spiraling hostility, scholars have typically interpreted the Cold War as a "tragic" outcome of security dilemma dynamics, erroneously inferring that because Stalin clearly *wanted* Allied cooperation to continue that his intentions must have been benign. The power shift game and retrenchment game provide an alternative framework with which to explain the Cold War that better fits with the evidence. By identifying the conditions that affect the Soviet Union's incentive to misrepresent and the United States' preventive motivation, these theories explain the emergence of US-Soviet wartime cooperation despite their incompatible goals, and shows that the sub- sequent breakdown was not an ironic mistake, but in fact reflected accurate US beliefs about Soviet intentions.

Chapter 6

The Power Shift Game and the

Rise of Anglo-German

Antagonism

6.1   Introduction

This chapter applies the power shift game, presented in Chapter 1, to explain the origins of the Anglo-German rivalry that developed around the turn of the 20th century. In contrast to the sudden increase in the projected rise of the Soviet Union during WWII, discussed in Chapter 3, the onset of British decline was quite gradual, engendered by the industrialization of the other great powers and a two-decade global economic downturn starting in 1873 (the original "great depression"). Combined with the crude economic metrics of the era, this resulted in a substantial

delay in recognizing the size of the power shift. However, by the early 1890s, it was clear to contemporaries that Britain was in a long-term state of relative decline, and that Germany, with its efficient state, massive population and abundant resources, was the leading rising state in Europe. Indeed, Germany was already catching up to Britain in industrial output, and under Bismarck had come to dominate European politics by 1890.

Recall from Chapter 1 that the power shift game predicts that a rising state's cooperative signals become more credible under a large PPS, as the declining state's degree of prevention increases and reduces the incentive for hostile types to misrepresent. However, unlike American prior beliefs about Soviet intentions entering WWII, which were generally negative, British beliefs about German intentions had been quite positive since German unification in 1871. Thus, whereas the power shift game predicted that US leaders would positively update their beliefs in response to cooperative Soviet signals after the PPS increased in 1943, the theory predicts no change in British beliefs in response to cooperative German signals after 1890 - British leaders should have simply remained optimistic about Germany's future intentions. This case is therefore not useful for determining how size of the PPS affects the credibility of a rising state's cooperative signals.

However, this case *is* useful for testing another proposition of the power shift game: that preventive action by a declining state reduces the incentive for a hostile rising state to misrepresent its intentions. Due to its socioeconomic structure, political institutions, and the personality of the Emperor, Wilhelmine Germany's goals for the international order diverged greatly from the economically open, liberal international order that characterized the *Pax Britannica*. The power shift game predicts that, given British accommodation of rising German power, German

leaders would have a strong incentive to misrepresent these incompatible goals, and maintain close cooperation with Britain until Germany had become more powerful in the future. This should have been the case before the 1890s, when the PPS was relatively small: German power was not expected to increase enough to threaten Britain's control of the international order in the future, and so did not warrant any preventive response.

As the size of the PPS increased into the 1890s, however, the power shift game predicts that Britain's increasing vulnerability to German revision in the future - combined with some uncertainty about future German intentions - should have prompted British leaders to "hedge" against rising German power, adopting a moderate degree of preventive containment despite their optimistic prior beliefs about German intentions. Britain's hedging strategy, in turn, should have reduced the incentive for German leaders to misrepresent their incompatible goals: in the face of limited British containment, German leaders would be inclined to attempt immediate revision, rather than foregoing their preferred international order while still incurring some degree of opposition from Britain. Finally, the power shift game predicts that in response to Germany's attempts at revision, British leaders should have negatively updated their beliefs about Germany's future intentions, and shifted from a hedging strategy of limited prevention to a strategy of full containment of German power.

These hypotheses contrast with those of the optimist and pessimist signaling models. Signaling optimists predict that Britain would fully accommodate a cooperative Germany, even after British leaders recognized a large PPS in the 1890s. Moreover, optimists predict that a hostile Germany would attempt immediate revision *despite* continued British accommodation, prompting a change in British

strategy only after Germany's non-cooperative signals had already revealed its truly incompatible goals. On the other hand, the signaling pessimist hypothesis holds that in response to a large PPS, British leaders would ignore their positive prior beliefs, and move immediately to a strategy of full containment rather than maintaining a largely accommodating hedging strategy in response to cooperative German signals. Pessimists would predict that in response, a rising Germany should have continued to misrepresent, even if its goals were truly incompatible with Britain's.

This case lends clear support to the hypotheses of the power shift game. In the early 1890s, German leaders expected that Britain would join the Triple Alliance with Germany, Italy and Austria-Hungary, facilitating the rise of German power and forestalling the efforts of France and Russia to balance against Germany. This anticipation of British accommodation prompted German leaders to misrepresent their revisionist goals, cooperating with Britain as closely as possible through the middle of the decade across a broad range of issues. However, consistent with the power shift game, Britain hedged against rising German power. Although Britain "leaned" toward the Triple Alliance, its leaders consistently preserved their freedom of action, refusing formal alliance and seeking to improve relations with France and Russia in case it became necessary to oppose Germany's rise. Britain also sought to reverse its decline by expanding the empire at Germany's expense and increasingly protecting its markets from German competition. Thus, contrary to the optimist hypothesis, Britain did not fully accommodate a cooperative Germany in first half of the decade. Yet contrary to the pessimist hypothesis, it also did not fully contain Germany until after Germany began to exhibit non-cooperative behavior.

As the power shift game predicts, Britain's hedging strategy of limited pre-

vention served as a screening mechanism that reduced the incentive for Germany to misrepresent its incompatible preferences. By 1897 German leaders had determined that because some degree of containment from Britain was unavoidable, they were better off attempting immediate revision than continuing to misrepresent in vain. Germany adopted strategies of *Weltpolitik*, aimed at the acquisition of a colonial empire to provide exclusive overseas markets and access to resources; *Mitteleuropa*, political domination of Europe leading to a mercantilist Continental economic bloc; and *Flottenpolitik*, the construction of a massive navy that would threaten British security and allow Germany to coerce Britain into acquiescing to German revision. British leaders quickly recognized Germany's policies as noncooperative signals: repeated attempts to carve out exclusive empires in China and Latin America, rejections of Britain's offers of limited alliance, transparent attempts to draw Britain into conflict with France and Russia, and above all, construction of a navy that could only be targeting Britain. In response, British leaders overwhelmingly updated their beliefs that German intentions were hostile by the end of 1902 and escalated to full containment of Germany. Britain dramatically increased its naval spending, and concluded the Anglo-Japanese Alliance in 1902 to contain German expansion in Asia and redeploy the Royal Navy to the North Sea to counter the growing German naval threat. The Anglo-French and Anglo-Russian *ententes* of 1904 and 1907 allowed Britain to coordinate its military strategies with its former rivals against Germany, and completed Germany's political encirclement. Thus, Britain's preventive strategy elicited signals of Germany's true intentions, and allowed Britain to adopt a more optimal policy of full containment toward the rising threat.

6.2 British Decline and Prior Beliefs

6.2.1 British Preferences for the International Order

Throughout the second half of the 19th century, Britain maintained a liberal international economic order, characterized by low barriers to trade and non-discriminatory access to markets. This was the policy of the "Open Door" that Britain sought to maintain throughout the world. The London *Spectator* explained in 1898 that "high duties are not inconsistent with the open door. What the open door means is that traders of all nationalities shall have equal opportunities, not that there should be absolute freedom of trade." Prime Minister Arthur Balfour confirmed that the "sole object" of the Open Door in China "was to insist that the policy of the Chinese government shall not be directed towards discouragement of foreign trade" (Allen, pp. 584-6). In addition, Britain had consistently maintained a policy of unilateral free trade, and accepted asymmetric trade agreements with other states to induce them to lower moderate their tariff levels (Stein, 1984). British Governments resisted subsidizing national firms or intervening abroad on their behalf, except for the purpose of "open communication, freedom of trade from tariffs and other restrictions, and accessibility to markets" (Ramm, p. 86). Furthermore, because Britain was very sensitive to the threat of commercial disruption posed by large-scale war, it cultivated norms and institutions against war or conquest. Britain sought to maintain stability among great powers by sponsoring a system of offsetting alliances while maintaining a "free hand" to intervene if necessary to reinstate a balance of power, and was willing to intervene in the non-European world to maintain political (and thus economic) stability (Bourne, pp. 106-126, 369; Kennedy, 1981, pp. 24-27).

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Britain's preference for this liberal economic order derived from its highly competitive - and adaptable - manufacturing sectors, and its dominance in services (shipping, insurance and finance), which depended not only on British trade, but overall global commerce, which was carried in British ships, insured by British firms, and funded by British capital (Cain and Hopkins, 1993; Steele, 1987, p. 29; Porter, 1983, pp. 16, 41-46). Even after Britain had been surpassed by Germany and the United States in the "first wave" industries of steel and textiles, Britain's economy had developed in the context of a free trade regime, such that its sectors were highly adaptable to market forces. British landowners had heavily invested in industry and shipping, and so profited from overall economic growth, not the well-being of any particular sector. British agriculture and manufacturing became increasingly specialized, moving out of sectors in which they had lost their comparative advantage and into others in which they could still compete on the international market. British labor, as well, had become highly adaptable to market forces, and, being accustomed to low food prices since 1846, demanded low agricultural tariffs. Thus, the prosperity of nearly every British socioeconomic group, save dwindling grain producers and heavy industry, depended on open trade and investment for their prosperity. These preferences were then expressed in foreign policy through democratic representative institutions and well-developed political parties - the Liberals and the Conservatives - each of which supported the Open Door and generally supported free trade throughout the period (Gourevitch, pp. 77-82; Friedberg, pp. 26-30).[1]

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[1]Although some Conservatives, including Colonial Secretary Joseph Chamberlain and Prime Ministers Salisbury and Arthur Balfour, advocated retaliatory tariffs and a move toward an imperial preference system to forestall decline, this position was designed to *increase* economic openness by compelling other states, including self-governing British colonies, to lower their barriers to trade. When Chamberlain and Balfour finally campaigned publicly to replace unilateral free trade with imperial preference, they were punished with a landslide defeat in 1906, underscoring British society's preferences for a liberal international economic order. See Friedberg, Chapter 2; Thompson, Chapter 4; Kennedy 1983, pp. 17-25, 92-7.

6.2.2 British Decline Relative to Germany

As British leaders gradually became aware of the depth and intractability of Britain's relative decline, they became increasingly concerned about the future intentions of rising states, particularly Germany, which was the leading riser in Europe. The main metric for estimating economic growth in the late 19th century was trade statistics. Between 1880 and 1900, Britain's share of global commerce fell from 25% to 21%, while Germany's rose from 9% to 12%. In manufacturing trade during that time, Britain fell from 34% to 31%, while Germany rose from 23% to 27%. From 1870 to the mid-1890s, Britain's share of world manufacturing fell from 32% to 20%, while Germany's rose from 13% to 17%. From 1884 to 1894, foreign imports in British colonies increased from 26% to 32%, with every likelihood that the quality and quantity of those goods would continue to increase. Although the following figures were not available to contemporaries, Britain's economic growth rate in the 1880s and 1890s is estimated at less than 2%, while Germany is estimated to have grown at around 5% during that period, a massive long-term difference that must have been intuitively clear to observers at the time (Friedberg, pp. 24-26, 44-47; Kennedy, 1980, pp. 291-294).

The first serious concerns about British decline emerged in the mid-1880s, as a series of economic downturns since 1873 (aka, "the great depression") slowed growth, and the rapid industrialization and increasing competitiveness of Continental Europe eroded Britain's dominance in exports and manufacturing output (Thompson, Chapter 4; Kennedy, 1983, pp. 17-25; 91-94). Joseph Chamberlain, who would become a powerful voice in British foreign policy as Colonial Secretary in the 1890s, had determined as early as 1887 that Britain was in decline relative to large new states like the US, Russia, and a unified Germany, and must consolidate

its empire in order to compete with them (Friedberg, p. 35). In 1885, the Prime Minister, Lord Salisbury, appointed a commission to analyze Britain's economic decline. The commission's report held that trade restrictions on the Continent had greatly suppressed profits in export industries, and foreign competition was hurting demand in the home market and cutting into traditional British markets in Asia and Africa. It continued that even

> "in neutral markets [free from trade barriers], such as our own colonies...we are beginning to feel the effects of foreign competition in quarters where our trade formerly enjoyed a practical monopoly. The increase in the severity of this competition both in our home market and in neutral markets is particularly noticeable in the case of Germany."

The commission concluded that "much more attention" was needed "in the face of the severe competition to which we are now exposed," and that "we cannot, perhaps, hope to maintain...the lead we formerly held among the manufacturing nations of the world...our supremacy is now being assailed on all sides" (quoted in Friedberg, pp. 39-40).

Public perception was even more pessimistic than official assessments. The "fair trade" movement emerged in the 1880s in response to Britain's perceived loss of competitiveness and relative growth as a result of foreign protectionism. In 1881, the National Fair Trade League was formed to lobby for the imposition of reciprocal tariffs to induce foreign countries to lower trade barriers. Popular books like *Made in Germany* stirred the popular consciousness with images of a sea of German imports flooding into Britain. Robert Giffen of the Board of Trade noted in 1888 the "popular impression...that German trade is gaining ground everywhere

at the expense of English exports," and Giffen's own figures showed that German exports had risen 16% to Britain's 8% between 1875 and 1885 (Friedberg, pp. 36-38; 41).

Thus, by 1890 both Conservatives and Liberals recognized Britain's economic decline relative to Germany. However, Germany was already the leading political and military state in Europe. It was already far stronger militarily than France or Russia, and Bismarck's masterful maneuverings in the 1870s and 1880s had made Germany the center of European politics, allied with Austria-Hungary and Italy in the Triple Alliance, on friendly terms with Britain, and with few overt quarrels with any power but France, which (until 1892) had been left isolated (Ramm, 1987; Kennedy, 1980, pp. 22-37, 160-180). Furthermore, despite Germany's lack of a navy, the Admiralty had long recognized that Germany had the potential to construct one very rapidly, and therefore potentially threaten Britain's most vital security and commercial interests (Bartlett, 1993, p. 117, fn 10). It was therefore clear that Germany, not France or Russia, was the only candidate to overturn the *Pax Britannica* and attempt expansion in Europe, as even the Franco-Russian Dual Alliance could not have resulted in a single unchecked power dominating the entire continent.[2]

German leaders recognized their own rise as well, and indeed were perhaps unrealistically bullish on future German economic and military capabilities. The three key German foreign policymakers - Admiral Alfred von Tirpitz, Chancellor Bernhard von Bülow, and Kaiser Wilhelm II, were exceedingly optimistic about Germany's great rate of industrial and commercial progress. Having already sur-

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[2]Rock, 1989, p. 71. By 1900, Germany's population was 50% larger than France's, Germany produced five-fold more coal and four-fold more steel than France, and the German military was qualitatively far superior to the French. Germany's alliance with Austria and Italy and Russia's infrastructural and administrative backwardness more than negated the boost to France from the Franco-Russian Alliance. See also Kennedy, 1980, p. 423.

passed Britain in population, and outputs of steel and electrical and chemical products, these leaders also expected Germany to match and exceed Britain in exports and warship production within the next two decades. Naval and commercial dominance, in turn, would allow Germany to outcompete Britain for overseas colonies and displace Britain as the world leader in shipping, which would spill over into other services such as insurance and finance. Greater access to markets, resources and capital would then have a multiplier effect on German economic growth, further accelerating Germany's rise (Kennedy, 1983, pp. 158-159; Kennedy, 1980, pp. 310-315).

6.2.3 Positive British Beliefs about German Intentions Prior to 1898

Until the late 1890s, Britain considered Germany a "satisfied" state, that likely shared Britain's preferences for a liberal international order. From the time of German unification, Britain considered Germany a partner in maintaining the status quo. Lord Palmerston stressed in 1865 that "it is desirable that Germany, in the aggregate, should be strong, in order to control those two ambitious and aggressive powers, France and Russia." In the 1870s, Benjamin Disraeli characterized Germany as Britain's closest ally, and was convinced of "the absolute necessity of frankly and definitely cooperating with the offers and overtures of Prince Bismarck" (quoted in Bourne, pp. 382, 405). The *Times* wrote unambiguously in 1876 that "We have no jealously of the new Empire. Within its own bounds we wish it every success," and Britain's Liberal Party maintained that "Prussia represented the intelligence, wealth and progress of Germany... We have much in common – our race, our religion, our mutual interests are all interwoven with Prussia, and

our political interests should be identical" (quoted in Kennedy, 1980, p. 62).

These positive beliefs about the compatibility of British and German goals continued during Bismarck's leadership in the 1870s and 1880s. Germany had virtually no navy, largely eschewed colonies and, like Britain, sought to limit the expansion of the other powers and preserve the European status quo. British leaders therefore saw Germany as an ideal ally to counterbalance France and Russia, both of which had numerous colonial quarrels with Britain and substantial naval power that potentially threatened British security. As such, Britain refrained from characterizing Germany as a threat and instead saw it as Britain's partner in maintaining the peace in Europe that was essential to Britain's liberal order. Germany consistently supported British aims against Russia in the Near East, and pledged its "benevolent neutrality" in the event of an Anglo-Russian war. Lord Salisbury, who served Simultaneously as Prime Minister and Foreign Secretary, sent a special mission to Berlin in 1885 for the purpose of "laying the foundations of closer, more intimate [relations] between the two countries," and promised that Germany "could reasonably count on a continuity of [British] policy in this matter" (Bourne, pp. 145-51, 423-33). In 1887 Salisbury referred to Germany's Triple Alliance as the "satisfied powers" opposing the "hungry" states, France and Russia, and in 1887 coordinated Britain's military strategy with that of the Triple Alliance through the Mediterranean Agreements with Austria-Hungary (Lowe, 1969, pp. 94-120). British optimism about German intentions persisted into the late 1890s. As of 1896 Salisbury maintained "We certainly wish to be good friends with Germany. That is to say, we wish to lean on the Triple Alliance without belonging to it" (Grenville, pp. 150-76; quote p. 155).

Optimistic British beliefs about German intentions were also informed by Ger-

many's internal attributes. In the 1890s, Britons considered Germany, with its mass political parties and an elected legislature, to be a paragon of a progressive, modern state. It was not until after hostilities with Germany emerged in the 20th century that Germany was clearly considered to be non-democratic in the minds of British and American elites (Oren, 1995). There was significant affinity for Germany among the British public. The *Times* consistently referred to Germany as "our natural ally" and in 1891 claimed that "Germany does not excite in any class among us the slightest feeling of distrust or antipathy." It later asserted that "if Germany should endure some future hour of trial, there is no country to which she can more confidently look for sympathy and support than our own" (Kennedy, 1980, pp. 211-2).

Thus, when Britain sought allies in the late 1890s in response to increasing demands on its resources from multiple rising threats, Germany was its preferred and most-likely candidate. In 1898, Colonial Secretary Joseph Chamberlain (whose role was akin to co-Foreign Secretary), identified Germany along with the US as Britain's "natural allies," and thereafter advocated vociferously for a "new Triple Alliance between the teutonic race and the two branches of the Anglo-Saxon race" (Allen, p. 558). He clearly defined Britain's motive and its criterion for selecting allies: "Britain must pursue alliances with those whose interests most clearly approximate our own...if we are determined to enforce the policy of the Open Door." At the time there seemed to be large overlap in British and German interests. Arthur Balfour, Salisbury's nephew who would succeed him as Prime Minister, wrote Salisbury that "The great powers (i.e., Britain and Germany) primarily interested in the commerce of the world" felt drawn to join an alliance "for the purpose of seeing that China should not fall prey to any exclusive interest" (quoted in Grenville, pp. 169-70).

Even the construction of Germany's navy did not in itself engender British balancing. Rapid German naval construction began in 1898 and accelerated in 1900, but it was not until 1902 that Britain began to revise its naval estimates to account for the growing German threat. British leaders initially saw German naval expansion as likely motivated by legitimate ends, i.e., goals consistent with Britain's preferred liberal order, such as the defense of German commerce balancing against France and Russia, or intervention abroad in order to preserve political stability and open markets.[3] Indeed, Balfour still maintained in early 1902, well after most other British foreign policymakers had negatively updated their beliefs, that "I find it difficult to believe that we have, as [the Admiralty and Foreign Office] seem to suppose, much to fear from Germany...It seems to me so clear that broadly speaking, her interests and ours are identical" (quoted in Wilson, 2008, p. 268).

6.2.4 German Goals

Contrary to these positive British beliefs, Germany's preferences for the international order were in fact quite inimical to Britain's. The German government faced strong domestic incentives to adopt an expansionist, mercantilist foreign policy. Closed markets and state subsidies allowed the government to create protectionist rents for it patronage groups in agriculture and industry, while acquiring colonies and antagonizing Britain appealed to German nationalism and provided

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[3]These common views among British observers are nicely captured by Ambassador to Berlin Frank Lascelles, in a message to the Admiralty in which he actually confirmed his suspicions that the German navy could only be directed at Britain: "The German government wish for a powerful navy to be able to protect German interests all over the world irrespective of any other power. They no doubt have made use of the animosity against England to obtain the necessary votes in the Reichstag, but although they may wish to become the equal of England on the sea, I do not think they would wish to annihilate her." Quoted in Wilson, 2008, p. 266.

a means of unifying a heterogeneous German society. However, also crucial was the Kaiser's personal ambition to be a great statesman, who would lead Germany to global dominance and "a place in the sun" (Kennedy, 1980, pp. 205-209).

Germany's autocratic political system meant that the personal preferences of the Kaiser and a few other elite decision makers had an enormous impact on national foreign policy goals. The mercurial Kaiser Wilhelm II's ultimate aim as a leader was to make a great name for himself, and to surpass Bismarck's accomplishments in leading the German Empire to a glorious future, one that included supremacy on the European Continent and acquisition of an overseas empire (Kennedy, 1980, pp. 214-215). To this end, Wilhelm and Admiral Alfred von Tirpitz, head of the German Navy, were committed to acquiring a dominant navy that could rival Britain's.[4] Yet for Wilhelm, Tirpitz, and Chancellor Bernard von Bülow, a powerful navy was a goal in itself; something a state had to have in order to achieve the status of a "world power."[5] As Tirpitz assured him in 1899, "There are four World Powers: Russia, England, America and Germany. Since two of those powers can only be reached across the sea, so sea power must predominate." It was essential, he said, "for [Germany], as a World Power and a great cultural state, to make up lost ground" (quoted in Kennedy, 1983, p. 157).

Yet expansion was also a means to other, material ends on which German leaders recognized their goals to be incompatible with Britain's. In 1900, Tirpitz acknowledged that Britain and Germany "must doubtless come into conflict in the next century...out of economic rivalry or as a consequence of colonial disputes"

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[4]Surpassing Britain also constituted a basic personal goal of Wilhelm's: as the grandson of Queen Victoria, he both identified with and admired British culture, and fervently desired that his respect and admiration be reciprocated. See Kennedy, 1980, Chapter 12.

[5]During an 1898 dispute with Britain over the partition of the Samoan islands, Bulow admitted that "the entire Samoan question has absolutely no material, but an ideal and patriotic interest for us," yet acknowledged that "the Samoan question stands now as before in the forefront of my mind" (Kennedy, 1974, p. 238).

(quoted in Kennedy, 1980, p. 240). Germany did not share Britain's preferences for an open, liberal international economy, and sought to create a closed, mercantilist empire both on the Continent and overseas that would serve the Kaiser's goal of enhancing German national power, on the one hand, and economic rents for the patronage groups within German society upon which the political elites depended to remain in power, on the other. These groups included German industrialists in the cities of the west, on the one hand, and the Prussian landed aristocracy (Junkers), on the other - the coalition of iron and rye. The Junkers were the core of the Prussian aristocracy that dominated the German military, political elite, and the civilian bureaucracy, and their votes in Reichstag elections were heavily weighted so that their interests were reflected in the legislature. However, industrialists formed an emerging new elite, one that had an enormous amount of wealth, social and economic control over the urban masses, and upon whose support social stability, the survival of the regime, and even the unity of the Empire depended (Gourevitch, pp. 95-99, Taylor, pp. 140-145).

German industry and agriculture both benefitted from state subsidies and protection. Agriculture was no longer internationally competitive and needed a captive domestic market to remain viable without undergoing a fundamental social transformation that was unacceptable to Junker elites. On the other hand, German heavy industry *was* internationally competitive, yet had gotten to be that way because state support gave German firms an advantage over their foreign rivals (particularly British ones). German industry therefore continued to demand protection and subsidies that augmented their competitiveness, and also allowed them to weather fluctuations in international demand that were intolerable given the capital-intensive nature of the industry.[6] As a result, a "logrolling coalition"

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[6]Indeed, their counterparts in the British heavy industrial sector were also leading (though unsuccessful) proponents of protection. See Gourevitch, pp. 90-91; Friedberg, pp. 33-38.

emerged, in which each of these key sectors conceded protection of the other's market in exchange for protection of their own (Gourevitch, pp. 84-94).

In order to maintain these protectionist rents and thereby ensure domestic stability, regime survival, and prosperity for the German political elite, German sought economic autarky, and expansion of the markets and resources under its exclusive control. Thus, Germany did not only intend to impose tariffs in its home market, which had long been the case under Bismarck, and which was the policy of many other countries, including the United States (and increasingly after 1896 Britain itself). Germany's goal for the international order also entailed political domination of Europe in order to create a closed Continental economic system with Germany at the center (*Mitteleuropa*), which would exclude Britain, the United States and Russia. The corollary to *Mitteleuropa* would be an overseas empire of exclusive colonial possessions (*Weltpolitik*) that would augment Germany's self sufficiency in raw materials and markets without having to sacrifice protection of its favored sectors (Schultz, 1989, pp. 322-325).

Finally, there were also substantial domestic benefits to be had from an expansionist foreign policy that included acquiring colonies, constructing a large navy, and adopting an antagonistic attitude toward Britain. Because Germany's heterogeneous socioeconomic structure contained many conflicting interests, sustaining the coalition of iron and rye was a constant struggle. Nationalism, perceptions of external enemies, and imperial expansion offered instruments to unite these disparate groups through "a manipulated social imperialism" that would cultivate a shared identity, distract from socioeconomic divisions and blunt criticism of the regime. As a recently unified country in which a strong state had deliberately cultivated a national identity from the top down, Germany had developed what

has been termed "radical nationalism," characterized by extreme chauvinism, a sense of mission to disseminate German culture, and to achieve national greatness. Anglophobia was particularly strong in Germany during this period (Gourevitch, pp. 99-101; Wehler, 1970, pp. 143, 152; Kehr, 1977, pp. 22-75; Geiss, pp. 75-83).

Thus, although the pillars of the Wilhelmine regime's political survival - Junkers, industrialists, and workers - were at odds on most domestic policy issues, they could be united around nationalistic goals of an expansionist foreign policy. Prussian Finance Minister Johannes Miquel saw foreign policy as a means to "make a good impression in the Reichstag debates, and political divisions would thus be moderated." In 1897 Bülow admitted to "putting the main emphasis on foreign policy" because "only a successful foreign policy can help to reconcile, pacify, rally, unite" and that even minor colonial acquisitions were "at the forefront of my mind" because, as he told the Kaiser they "stimulate people and navy to follow Your Majesty further along the path which leads to world power, greatness, and eternal glory." In 1898 he observed that never would there be more cause to direct the gaze from petty party disputes and subordinate internal affairs onto the world-shaking and decisive problems of foreign policy." Holstein observed the same year that "Kaiser Wilhelm's government needs some tangible success abroad which will then have a beneficial effect at home" (quoted in Kennedy, 1973, pp. 609, 616; Röhl, 1967, p. 252; Fischer, 1975, p. 93).[7]

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[7]Holstein, a member of the German Foreign Office, and according to Paul Kennedy "the *spiritus rector* of foreign affairs, noted in 1894 that the German government dare not offend nationalistic public sentiment, even at risk of worsening relations with Britian: "English dislike of the Kaiser is a lot less serious than German" (Kennedy, 1980, p. 215).

6.3   Adjustment to a Large Projected Power Shift

Under a small PPS, the power shift game predicts that the declining states should fully accommodate cooperative rising states, such that risers anticipate that they can completely avoid opposition as long as they exhibit cooperative behavior. Having enjoyed a lack of opposition from Britain under a relatively small PPS during their first two decades of statehood, German foreign policymakers anticipated that it would continue. They were therefore enthusiastic to cultivate good relations with Britain in the first half of the 1890s, despite their long-term goal to displace it as the world's leading power and reshape the international order according to radically different preferences. Yet because British (and presumably German) perceptions of the size of the PPS had been steadily increasing, Britain's preventive motivation was increasing in tandem. Thus, as the power shift game predicts under the larger PPS of the 1890s, Britain adopted a hedging strategy of limited containment toward Germany, rather than fully reciprocating her cooperation. This pattern continued until 1897, when it became clear to the Kaiser and the *Wilhelmstrasse* (imperial government) that Britain would not fully accommodate Germany's rise, despite their best efforts to misrepresent their goals. Yet even then, for several more years German leaders did their best to send cooperative signals, even as they attempted to achieve *Weltpolitik* and *Mitteleuropa*.

6.3.1   German Misrepresentation, 1890-1897

Although Germany faced high domestic opportunity costs of cooperating with Britain, those costs were worthwhile to Wilhelm, Chancellor Leo von Caprivi and the "New Course" German policymakers who succeeded Bismarck in 1890, as long

as it meant securing British cooperation against France and Russia, which would secure Germany against encirclement and facilitate its continued rise. This, in turn, would allow Germany to achieve the revisions its leaders desired for domestic or personalistic reasons with greater success in the future. Thus, in the early 1890s, Germany was willing to misrepresent its colonial, naval, and mercantilist ambitions, in order to secure British accession to the Triple Alliance and guarantee full British accommodation of Germany's rise. As Wilhelm put it, although Germany must at present maintain cooperation with Britain, "in 20 years time, when it is ready, I shall speak another language" (quoted in Kennedy, 1980, p. 239, see also Chapter 12).

Although Wilhelmine Germany harbored extensive colonial ambitions, Germany agreed to substantial concessions in German East Africa to Britain in exchange for Heligoland, a small island in the North Sea near the German coast. Heligoland did carry strategic value for Germany (it would later become the base for the German battlefleet), but at the time the exchange was primarily motivated by a desire to improve Anglo-German relations and draw Britain closer to the Triple Alliance, by reassuring the British that German interests did not conflict with theirs. Remarkably, German leaders even publicly downplayed the advantages they received from the agreement with Britain, in order to maximize the domestic political benefits to Salisbury and cultivate the Prime Minister's goodwill (Kennedy, 1980, pp. 206-207).

Throughout the early 1890s, assurances of goodwill and tributes of respect were commonplace. In the spring of 1890, Hatzfeldt, the German Ambassador to London, directly informed Salisbury that Germany was reorienting its foreign policy toward alignment with Britain and away from Russia. Caprivi, Marschall,

the German Foreign Minister, and Holstein, a prominent Councillor in the German Foreign Office, repeatedly emphasized to Britain their overriding focus on Continental politics and disregard for colonial enterprises that would conflict with British interests. According to Wilhelm, "Africa was not worth a quarrel between England and Germany." When Rosebery replaced Salisbury in 1892, the *Wilhelm-strasse* exercised patience with the new Prime Minister, who was beset by domestic problems, by not pressing him for additional British support for the Triple Alliance in the Mediterranean (Kennedy, 1980, pp. 211-213).

Caprivi also instituted a policy of liberalization, both at home and abroad. He lowered German tariff levels across the board, in an attempt to cultivate better relations with Britain and demonstrate Germany's commitment to free trade and a liberal economic order. He also legalized the German Socialist party and implemented voting reform, policies that were seen quite favorably in Britain. Yet according to Fritz Fischer, "Behind Caprivi's trade policy was the idea of closer tariff links in *Weltpolitik* so as to keep out the British Empire" (Fischer, 1975, p. 6; see also Craig, pp. 251-261).

6.3.2 British Hedging, 1890-1901

German cooperation in the early-mid 1890s, combined with Britain's prior optimism about the compatibility of Germany's goals with its own led Britain to be generally accommodating of Germany's rising power. However, despite their positive prior beliefs, British leaders remained uncertain about Germany's future intentions. Therefore, as the power shift game predicts, Britain sought to maintain a balance of power on the continent as the PPS increased into the 1890s. This meant that Britain needed to maintain the freedom of action to align with

the Dual Alliance of France and Russia against Germany in the future, should German goals prove less compatible than British leaders believed in 1890. Thus, although Salisbury was glad to maintain friendly relations with Berlin and "lean" toward the Triple Alliance, the flip side of "not belonging to it" allowed him to seek to resolve British differences with France and Russia. In addition, Salisbury sought to maintain Britain's colonial and commercial advantages over Germany, leading to several minor Anglo-German disputes over economic policy and overseas territory.

Elements of Accommodation

Even after it became clear that Germany's rise would upset the European balance of power, Britain still generally accommodated Germany through the turn of the century, supporting it in diplomatic disputes, offering colonial concessions, coordinating military strategy with the Triple Alliance, and repeatedly approaching Germany for formal alliances that would serve what British leaders perceived to be the two countries' common goals. As Grey wrote in his memoirs, Britain was not "averse to the predominance of a strong group in Europe when it seemed to make for stability and peace... It is only when the dominant power becomes aggressive and she [Britain] feels her own interests to be threatened" that she gravitated toward a balance of power (Rock, 1989, p. 66). This finding contradicts the signaling pessimist hypothesis that deepening decline should have compelled Britain to strongly contain Germany, despite positive beliefs about German intentions.

British leaders hoped that territorial concessions to Germany would remove any sources of conflict and facilitate continued cooperation (Grenville, pp. 190-198). The Heligoland-Zanzibar treaty of 1890 settled Anglo-German territorial disputes

in East Africa, while granting Germany an important naval base in the North Sea (the irony of which would only become clear a decade later). In 1894, Britain ceded Germany former Belgian territory in the Nile Valley to promote joint Anglo-German opposition to French expansion into Egypt (Kennedy, 1981, pp. 103-104). Again in 1897, Britain agreed to divide former Portuguese colonies (to which Germany had no juridical claim) into German and British spheres. Likewise, in the dispute over the Samoan island group, Chamberlain and other British Cabinet members sought to appease German colonial ambitions, and in 1899 convinced Salisbury to make sufficient concessions to satisfy Wilhelm's need for prestige and Pacific coaling stations. Even after recognizing German demands as extortive, Chamberlain insisted to Balfour that "it is worthwhile to pay blackmail sometimes." Balfour justified Britain's bending to German demands by asserting that "this is to be the beginning of a new era of Anglo-German cooperation in other parts of the world" (quoted in Bourne, p. 166; Grenville, pp. 274-7).

Britain also continued to wield its naval power in support of the Triple Alliance. Salisbury generally backed Italy's territorial claims in North Africa even at the expense of antagonizing France, and the Navy provided for the Triple Alliance's coastal defense and access to the Dardanelle Straits. This was instrumental in keeping Italy aligned with Germany against France and Russia, which otherwise would have been impossible given Italian vulnerability to French naval power. Salisbury urged the Liberal Government that displaced him from 1892-95 to remain aligned with the Triple Alliance, which it did. Rosebery, the new Foreign Minister, went out of his way to reassure Germany and Italy of Britain's continued support, promising the German Ambassador that "Any Government, even [a Liberal one], was bound to help Italy in case of attack." The Mediterranean Agreements persisted until 1897, when Austria-Hungary allowed the treaty to lapse due

to Britain's inability to defend Constantinople against the combined French and Russian navies. Even then, Salisbury was prepared to go a long way to preserve the essence of the agreement, but was unwilling to meet Austria's condition that Britain fully join the Triple Alliance (Grenville, p. 17; Bourne, pp. 150-159, quote p. 151).

Even failures of foreign policy underscored Britain's accommodation of Germany and the overall health of Anglo-German relations in the 1890s. In 1896, following the failed British "Jameson Raid" against the Boer separatists in South Africa, Wilhelm impulsively sent his infamous "Kruger telegram" congratulating the Boer leader on his victory. Yet despite an incredible public outcry in Britain, the Government did its best to smooth it over as a "misunderstanding": Chamberlain gave a speech declaring that the telegram had "no more serious consequence than a certain imperceptible increase of virulence on the part of the German press," while Salisbury simply ignored the incident and allowed public relations to gradually return to normal (Grenville, p. 106). Thus, as of 1899, when the Kaiser and Bülow visited London, the response of the British press was overwhelmingly positive. The headline of the *Daily Mail* was "A Friend in Need is a Friend Indeed," and other periodicals refrained from reporting any negative rumors about potentially malevolent German foreign policies (Kennedy, 1980, p. 242).

Perhaps most impressively, Britain repeatedly attempted to form an alliance with Germany between 1898 and 1901 - in part to probe German intentions in response to non-cooperative German signals after 1897, as well as to achieve the benefits of closer cooperation. In the spring of 1898, Chamberlain proposed to Hatzfeldt, the German Ambassador, an Anglo-German alliance (implicitly against Russian expansion) of "defensive character based upon mutual understanding as to

policy in China and elsewhere," and expressed confidence that such a treaty would be ratified by Parliament (quoted in Koch, p. 381). Bülow and Hatzfeldt declined the offer as premature, but promised to consider opportunities for cooperation in the future. In the following year, Chamberlain, Balfour (filling in for an ailing Salisbury), and Ambassador to Germany Frank Lascelles continued to express interest in an alliance, directed against France in Africa and/or Russia in Asia, culminating in Chamberlain's infamous speech calling for a "teutonic alliance" between Britain, Germany and the United States in 1899 (Grenville, pp. 156-70; Kennedy, 1980, pp. 239, 242). In 1900, Britain eagerly accepted Germany's offer of the vague "Yangzi treaty" which was little more than a costless statement of support for the Open Door in China, but which British leaders hoped would lead to a more concrete understanding. In 1901, Lansdowne, the new Foreign Secretary, once again approached Germany about an alliance to contain Russian expansion in Asia (Grenville, pp. 310-343; Monger, pp. 26-45; Koch, pp. 387-390). When he was again unable to reach acceptable terms, Lansdowne suggested instead a less formal "exchange of declarations as to the objects which Great Britain and Germany have in common" (quoted in Bourne, p. 471).

Elements of Containment

Despite overall British optimism about German intentions, and Britain's general strategy of leaning toward the Triple Alliance, the emerging realities of decline - and the accompanying vulnerability should German intentions not be as benign as British leaders hoped - compelled Britain to couple its attempts at cooperation and reassurance with elements of containment to hedge against rising German power. This outcome supports the power shift game against the optimist hypothesis that declining states should fully accommodate cooperative risers.

The Franco-Russian alliance, while seen as Britain's greatest threat given its myriad colonial disputes and historical rivalries with those two powers, was also seen as an opportunity by British policymakers to maintain a balance of power on the continent as a counterweight to growing German power and influence, while simultaneously avoiding too heavy a diplomatic dependence on Berlin. Britain's ideal outcome was to remain uncommitted, and avoid costly conflicts with either bloc. As such, rather than taking alarm at the emerging Dual Alliance in the early 1890s - as Germany did - and committing to align with the Triple Alliance - as German leaders expected Britain to do - Britain instead responded by attempting to resolve its differences with France and Russia, while simultaneously seeking to maintain friendly relations with Germany and its allies.[8] Moreover, this strategy was shared by both the Conservative Governments of Salisbury and the Liberal Government under Gladstone and Rosebery in the early- to mid-1890s (Kennedy, 1981, pp. 101-103, 110; 1980, p. 213). As Salisbury admitted, "We have always refused to give any assurance of material assistance" to another state. British intervention "would be decided by the nature of the *casus belli*" (quoted in Bourne, p. 432). Rosebery concurred:

"because our commerce is so universal and penetrating that scarcely any question can arise in any part of the world without involving British interests. This consideration, instead of widening, rather circumscribes the field of our actions. For did we not strictly limit the principle of intervention, we should always be involved in some forty wars" (quoted in Kennedy, 1981, p. 105).

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[8]Even those, like Colonial Secretary Joseph Chamberlain, who favored formal alliance were not exclusively committed to alliance with *Germany*. Rather, they sought to align Britain with one of the blocs in order to prevent British isolation and marginalization as it declined relative to continental powers, namely Russia and Germany. See Kennedy, 1981, p. 111.

Thus, despite their perception of the threat from the Dual Alliance being substantially higher than from Germany in the early 1890s, British leaders attempted to maintain the freedom of action to align with France and Russia to potentially balance against Germany in the future, once it had become more powerful.[9] In 1891, Salisbury attempted to settle differences with Russia in the Near East, and invited the French fleet to call at Portsmouth, in the hope of persuading the French that "England has no antipathy to France or Partisanship against her" (quoted in Kennedy, 1981, p. 212). Salisbury offered only sporadic, sometimes reluctant support against potential French or Russian incursions against Italy or its colonies in North Africa, and refused to negotiate any concessions to Italy in Egypt, which would have helped to solidify Italian membership in the Triple Alliance and prevent its defection to the Franco-Russian bloc. Britain's attitude toward Turkey, which Germany wanted to add to the Triple Alliance, was similar, and Salisbury even went so far as to attempt to jointly intervene with Russia against Turkey in response to the Sultan's massacres of Armenian separatists in 1895-6 (Kennedy, 1980, pp. 210-211; Bourne, pp. 150-151).

In addition, the escalating rivalry between these European blocs spilled over into extra-European affairs, threatening previously uncontested interests of the British Empire overseas. Thus, in response not only to rising German power, but also the increasing collective power and assertiveness of Japan, Italy, Russia and France, Britain began to take preventive measures in the early 1890s to ensure

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[9]Also indicative of the great lengths that British policymakers were willing to go to avoid committing to accommodate Germany was the 1889 Naval Defense Act, which dramatically increased Britain's naval budget in order to independently match the combined naval strength of the new Franco-Russian combination (the "two power standard"). This was a radical departure from Parliament's previous aversion to military spending. See Bourne, p. 149; Kennedy, 1981, p. 110; 1980, p. 212; Friedberg, Chapter 4.

the security of the status quo regional orders in Africa, East Asia, and the Middle East.[10]

In 1891, as the Portuguese monarchy teetered on the verge of collapse, the British South Africa Company began moving into Portuguese colonial claims in Central Africa, in order to deny potential French or German expansion there that could threaten South Africa. In turn, South Africa was, as British Foreign Minister Lord Kimberly stressed to Berlin in 1894, "perhaps the most vital interest of Great Britain because by the possession of it communication with India was assured...it was of even greater importance to England than either Malta or Gibraltar" (quoted in Kennedy, 1980, p. 220). Britain also sought to prevent French incursions into the Nile valley, and made an arrangement with Belgium to that end. Yet British expansion into former Belgian and Portuguese colonies not only hindered Germany's underlying goal of increasing its colonial holdings, it (mostly inadvertently) encroached on existing German colonies in East Africa. This led to the unlikely scenario of joint French and German pressure to prevent British acquisition of Belgian territory in 1894, to Rosebery's great consternation (Kennedy, 1981, pp. 103-104). These minor, but prickly disputes in Africa were exacerbated by escalating tensions over the Samoan islands in the South Pacific after 1894 (Kennedy, 1974, p. 214).

Rosebery and Kimberly sought to gain leverage over Germany in these proliferating colonial disputes by tying them to Continental alliance politics. Rosebery insisted that "Great Britain, if her policy be properly guided, holds the key of the

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[10]The emerging threats from countries other than Germany included Russian military expeditions in Central Asia around Afghanistan that threatened to encroach on India, Franco-Russian naval expansion in the Mediterranean which threatened to displace British dominance in that theater, Russian pressure on Turkey for control of the Dardanelle Straits and on China for concessions in Manchuria that threatened the Open Door in East Asia, the Sino-Japanese war that presaged foreign partition of China, French expulsion of British merchant vessels from Indochina, and Italian demands for colonial concessions in North Africa. See Bourne, pp. 150-160.

situation," while Kimberly advised that "We must oppose in every way the attempts of Germany to interfere in the Transvaal. It would have a most disastrous effect in South Africa..." (quoted in Kennedy, 1980, p. 216). Rosebery proceeded to publicly announce in Vienna and Rome that Britain would offer no support to the Triple Alliance in the Mediterranean until the colonial disputes were resolved, and in November 1894 he reached a substantial agreement with Russia in the Near East that lessened British dependence on German support for the defense of India.

British hedging intensified in the latter part of the decade, as Germany began to transition to *Weltpolitik*. Despite Salisbury's conciliatory response to the Kruger telegram in 1896, the public outcry led Parliament to announce the formation of the "Flying Squadron" that could be immediately dispatched to any part of the Empire in a crisis (Grenville, pp. 105-106). Although Wilhelm had expected that German annexation of the Chinese port of Kiaochow in 1897 would be supported by Britain to balance against Russian expansion, Salisbury refused to support Germany's claim, fearing that it would promote the partition of China into exclusive colonial spheres that would threaten Britain's Open Door policy of unrestricted commercial access. Likewise, Britain only reluctantly conceded control over some of the former Portuguese colonies in southern Africa to Germany (and then only because Salisbury was on holiday), and Salisbury did all he could to obstruct the implementation of the agreement (Kennedy, 1980, p. 234).

Finally, as British policymakers became aware of their general economic decline relative not only to Germany, but to the United States, Russia, and Japan as well, they sought to economic policy solutions that would reverse the trend. The primary proposal for forestalling decline, advocated most prominently by Joseph Chamberlain, was to establish closer ties with the Empire, both politically and commercially,

to extract more of the economic and military potential of the colonies. Yet this involved raising tariff levels that would jeopardize Germany's trade with the British Empire, which constituted its largest export market (Friedberg, 1988, pp. 45-77). In July 1897, the Government announced that it would terminate a 32 year-old free trade agreement that had granted Germany the same commercial rights with British colonies as Britain herself. Given the waning competitiveness of Britain's exports vis-a-vis Germany's, the Government considered the expiring treaty "a barrier against the internal fiscal arrangements of the British Empire" that must be rescinded in order to stem Britain's economic slide (Kennedy, 1980, p. 231).

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When the 1890s began, leaders in both Britain and Germany perceived a large projected power shift. As the power shift game predicts, despite their optimistic beliefs about German intentions, British leaders hedged against rising German power, in case their assessment of Germany proved erroneous. Although Britain was generally accommodating of Germany, lending its diplomatic support and naval power to the Triple Alliance against France and Russia, working to resolve colonial disputes with Germany, and making repeated alliance offers later in the decade, Britain also maintained its freedom of action to potentially join France and Russia in balancing Germany, while seeking to maintain its lead over Germany in commerce and colonies. This outcome contradicts both the optimist hypothesis that Britain should have fully accommodated Germany despite its future vulnerability, and the pessimist hypothesis that Britain should have fully contained Germany despite its positive beliefs.

German behavior in the early-mid 1890s is slightly more ambiguous. A strict interpretation of the power shift game yields the hypothesis that as the size of the

power shift increased, German leaders should have anticipated British hedging, and preemptively attempted immediate revision. Instead, Germany's foreign policy in the first half of the decade was unambiguously cooperative, despite its revisionist goals. Germany refrained from colonial expansion and accepted unfavorable terms from Britain on territorial disputes, oriented the Triple Alliance toward Britain and away from Russia, while liberalizing its trade policies and avowing support for the Open Door. Yet Germany's cooperative behavior is consistent with the power shift game given that Germany initially expected full British accommodation to continue in the 1890s: in the *absence* of preventive containment, the power shift game predicts that a rising state has a strong incentive to misrepresent, and given the gradual increase in the size of the PPS, German leaders did not anticipate British hedging in advance. However, as the next section will show, by the middle of the decade it had become clear that cooperative signals would *not* allow Germany to completely avoid British containment, which prompted German leaders to abandon their strategy of misrepresentation in favor of immediate revision.

6.4   Germany's Response to British Hedging, 1897-1903

Britain's preventive containment of German colonial expansion and refusal to align with Germany against France and Russia in the early 1890s convinced German leaders that Britain would continue to hedge against their rising power into the future, even if they continued to send cooperative signals. Whereas full British accommodation of Germany's rise would have made it worthwhile for German leaders to continue to misrepresent, they calculated that the opportunity costs of foregoing revision were greater than the benefits of cooperation if the best they could achieve was merely for Britain to "lean" toward the Triple Alliance, while si-

multaneously cooperating with the Dual Alliance to hedge against Germany's rise. Thus, as the power shift game predicts, the British strategy of limited prevention reduced Germany's incentive to misrepresent its incompatible goals. As a result, by 1897 German leaders had abandoned their strategy of cooperation and began attempting immediate revision of the international order, despite their awareness that these non-cooperative signals would reveal their hostile intentions to Britain. German non-cooperation took three forms: increasingly aggressive imperial expansion; rejection of Britain's offers of formal alliance to defend the "Open Door," the core tenet of Britain's liberal international order; and German naval expansion that unambiguously targeted Britain. Although consistent with the optimist signaling model, this finding contradicts the pessimist hypothesis that Germany should have continued to misrepresent even in the face of British hedging.

6.4.1 German Motives for Immediate Revision

The German government was repeatedly disappointed by a lack of British accommodation in the early 1890s. Britain's inconsistent support for the Triple Alliance in the Mediterranean, as well as its obstruction of German colonial claims in Africa and East Asia, were interpreted by Berlin as an attempt to contain Germany's rise. Most provocative, though was Britain's attempts to achieve better relations with France and Russia, which implied to German leaders that Britain sought to abet the encirclement of Germany by the Dual Alliance, rather than overcoming Franco-Russian balancing by joining the Triple Alliance. By the middle of the decade, Germany had inferred that British accommodation would not be forthcoming, and a new German foreign policy leadership began to reorient its strategy toward a revisionist *Weltpolitik*.

German leaders saw British opposition to their colonial claims as a means of containing the growth of German power. The northward expansion of the British South Africa Company under Cecil Rhodes in 1890-91 perturbed German leaders and increased their anxiety to maintain a Portuguese "buffer" between British South Africa and German East Africa. Salisbury's persistent refusal to limit British expansion into Portuguese territory, even at the urging of the German ambassador, led German leaders to surmise that Britain sought to seize all of Portugal's colonies, thereby blocking any subsequent German expansion. When the dispute over former Portuguese colonies was eventually settled in 1898, the German government found the terms sufficiently unfavorable that it declined to publicize the terms of the treaty for fear of domestic accusations of "selling out" to the British (Kennedy, 1980, p. 236).

German leaders inferred from Britain's obstruction of German colonial gains that the only way to achieve Anglo-German colonial cooperation was for the British empire to come under pressure from France and/or Russia, thereby demonstrating to the British the perils of isolation. In 1894, Marschall facilitated French pressure on Britain in Egypt by ceding German territory on the Upper Niger to France and cooperating with the French to block British acquisition of territory from Belgium in the same region. In 1895, a British warning that German encouragement of the Boers in South Africa would lead to "serious complications" was exaggerated by Wilhelm to mean that Britain had "threatened war," and prompted the Kaiser to protest that "We are not Venezuelans" (Kennedy, 1980, pp. 210, 214-219). Likewise, Chancellor Bülow reflected on the dispute over the Samoan islands in 1899 that "if England shows herself prepared for a fair settlement of the Samoan affairs, we will be able to pursue or present independent [free hand] policy" but if not, would have "to draw closer to Russia and even to France" (Kennedy, 1974, p.

238).

However, the most important factor that led German leaders to anticipate continued opposition was Britain's unwillingness to align with Germany against the powerful Franco-Russian combination. Britain's reluctance to commit the British fleet to defend the coasts of Austria, Italy, and their North African colonies, or to support Italy's colonial claims in Egypt, jeopardized their willingness to remain in the Triple Alliance against France and Russia (Kennedy, 1980, pp. 210-211). Germany's apprehensions about the feasibility of an alliance with Britain were exacerbated in 1893, when Rosebery earnestly requested German assistance in anticipation of a war with France in Southeast Asia, then instantly reverted to an aloof posture of reserve toward the Triple Alliance when the crisis was averted. Not only did the British compromise with France signify that Britain was not eager to join Germany in balancing the Dual Alliance, but it indicated that British friendship was a one-way street: they wanted others to "pull their chestnuts out of the fire," but were unwilling to reciprocate British support for its allies. Holstein complained that "we assist England every day" yet the British had been worth "damned little up to now" in helping Germany overcome the Franco-Russian balancing coalition (quoted in Kennedy, 1980, p. 213). Similarly, the *Wilhelmstrasse* viewed Britain's invitation to France and Russia in 1895 to jointly intervene against Turkey to on behalf of Armenian nationalists as a "cunning way of producing a European crisis, from which Britain would keep aloof in order to further her colonial aims" (Kennedy, 1980, p. 219).

By the middle of the decade, German leaders had given up active solicitation of an alliance with Britain and instead hoped for British foreign policy failures and embarrassments that might convince Britain that it needed German support

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more than it had realized. Caprivi reflected that "for us the best opening to the next great war is for the first shot to be fired from a British ship. Then we can be certain of expanding the triple into a quadruple alliance." German leaders also looked to maintain a "free hand" between Britain and the Dual Alliance, in order to alleviate containment from the Franco-Russian coalition. Germany particularly sought to improve relations with the Russians, whom Bismarck had maintained a secret alliance (the *Dreikaiserbund*) with in the 1880s. Germany hoped that improving relations with Russia would push Britain to seek alliance with Germany in order to secure German support in the numerous Anglo-Russian disputes in Asia (Kennedy, 1980, pp. 216-217; Otte, 1995). Holstein considered Anglo-German relations "at a crossroads," and hinted that Germany may have to abandon its resistance to Russian pressure on Turkey and the Balkans if firm British support were not forthcoming (Kennedy, 1980, pp. 213-214). During the Sino-Japanese War in 1895, Germany aligned with Russia and France in rejecting a British proposal to intervene to preserve the territorial integrity of China, and by extension the Open Door. Germany then joined France and Russia in forcing Japan to relinquish Port Arthur, which facilitated Russian expansion into Manchuria at the expense of British and Japanese interests (Bourne, pp. 153-154).

Yet perhaps the single most alarming sign of British containment was Britain's termination of Germany's free commercial access to British colonies in 1897. Wilhelm privately referred to it as "the commencement of war to the knife against our state," and in response called for "a large and speedy increase in the building of new ships." German industrialists, fearing that increasingly competitive British commercial policies would cut off Germany's most important export markets, clamored for "an economic *Mitteleuropa*," a mercantilist, Continental European economic bloc to compete with Britain (Kennedy, 1980, pp. 226, 231-2, quote p. 231).

By 1897 German leaders no longer considered a British alliance likely on the terms they wanted. Holstein and Marschall were so pessimistic that they were adopted a *de facto* "free hand" policy of nonalignment toward Britain, sabotaging discussions of alliance by demanding exorbitant colonial concessions that they knew Britain would not accept. The crisis over South Africa prompted the German High Command to draw up concrete plans for war with Britain in March of 1896. More importantly, it inspired the Kaiser to begin pressing earnestly for an enormous naval bill in the Reichstag throughout that year, and threaten to dissolve the *Reichstag* if it were not passed.

Furthermore, the domestic opportunity costs to the German leadership of refraining from immediate revision remained high. First, the impetuous Kaiser's had reluctantly accepted sacrificing or delaying his personal ambitions for a navy, an empire, and German hegemony in on the continent when the expected reward was alliance with Britain. When that outcome failed to materialize, Wilhelm demanded immediate gratification and the implementation of his "personal rule." Moreover, by cooperating with Britain, the Kaiser was foregoing the economic rents and nationalistic triumphs that would help sustain his regime domestically. There was overwhelming dissatisfaction in German society with the Post-Bismarckian "New Course" of cooperation with Britain. In response to the Heligoland-Zanzibar Treaty of 1890, German colonialist groups mounted bitter attacks on the government in the press for sacrificing territory in Africa and for allowing Germany to be subservient to Britain. Germany's Colonial Secretary, Paul Kayser, surmised that thereafter, "no government...would be in the position of giving up colonies without humiliating itself before Germany and Europe. Nowadays a colonial policy has supporters in all parts of the nation and no political party" could ignore this development (quoted in Kennedy, 1980, pp. 208-209). By the middle of the

decade, escalating colonial disputes prompted even mainstream groups, such as the Conservative and National Liberal parties, to echo nationalist organizations like the Pan-German League in calling for a shift to *Weltpolitik*. As one German military leader put it, the German people were determined to break "England's world domination so as to lay free the necessary colonial possessions for the central European states who need to expand" (Kennedy, 1980, p. 214, quote p. 221).

Thus, the growing anticipation of British hedging, coupled with increasing public dissatisfaction and pressure for imperial expansion, prompted the Kaiser to abandon the "New Course" and overhaul the personnel of the *Wilhelmstrasse* in 1897 with officials who would more effectively implement *Weltpolitik* and the naval program. Caprivi was replaced as State Secretary by Bülow (who later became Chancellor), and Tirpitz was appointed the new head of the Navy. Bülow saw British power as an impediment to Germany's goal of achieving a "place in the sun," and noted that "If we wish to promote a powerful overseas policy and to secure worthwhile colonies, we must be prepared in the first line for a clash with Britain." Yet Bülow also concluded that "we could not...for the sake of England's friendship, become dependent upon her." It was impossible to "reach the desired goal of possessing a strong navy...by being towed in the wake of English interests" (quoted in Kennedy, 1973, pp. 611, 619-623). Tirpitz considered Anglo-German confrontation unavoidable. Shortly after his appointment as Secretary of the Navy in June, 1897, Tirpitz told the Kaiser "the most dangerous enemy at the present time is England...we most urgently require a certain measure of naval force as a political power factor." Wilhelm agreed: "only when we hold our mailed fist against his face will the British lion draw back" (quoted in Kennedy, 1980, p. 224).[11]

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[11]It is important to note that even after Germany switched to a strategy of immediate revision in 1897, its leaders still hoped to achieve their goals without incurring full opposition from Britain. To that end, Germany adopted a "free hand" policy: Germany would remain unaligned from Britain in order to preserve its freedom of action, while also concealing non-cooperative

German leaders also indicated that the fleet and *Weltpolitik* were *basic* goals, not simply the response of an insecure Germany to an exogenous British threat. Tirpitz told Wilhelm that the fleet would afford "Your Majesty such a measure of naval mastery...[that] England will have lost every inclination to attack us and as a result...enable Your Majesty to carry out a great overseas policy." As Paul Kennedy writes,

> Of course the fleet had a defensive function, and of course it was partly built out of fear of an English attack. But such an attack, [Tirpitz] believed, would most likely be *caused* by the irresistible German advance into markets hitherto dominated by British traders or by quarrels over the future of the colonial territories of 'dying' nations. The Admiral's long-term scheme was to create such a threat to the British that they would be unable to risk their naval supremacy by forcibly preventing German expansion (Kennedy, 1973, p. 621. Emphasis added).

The events of 1898, including the failures of France and Germany to win concessions from Britain in Africa or accrue spoils from the Spanish-American war, served to reinforce this conviction that Germany needed a large battle fleet in the

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behaviors and avoiding any unnecessary antagonism that would incur British balancing. Bülow recognized that his chief task was to conceal the nature of Germany's naval expansion until the navy was out of the "danger zone", in a state where preventive action by the British could effectively stem growing German military power. "The task which was given to me in the summer of 1897 was...transition to Weltpolitik, and especially the creation of a German fleet without a collision with England, whom we were in no way a match for." Tirpitz recalled that "In introducing the Navy Law of 1900...it was important to avoid [confrontations], and indeed to accept possible restrictions upon our actions, so long as the foundations of our power were inadequate," and Bülow maintained that "a calamitous war with England would...throw us back generations in our economic and political development" (quoted in Kennedy, 1983, pp. 136, 138). The Wilhelmstrasse undertook a massive propaganda campaign purporting that a large navy was necessary to protect growing German trade, and ordered that "every insolent article against England be cut off at the head." During the Boer War, he instructed that "a cool and calm language is recommended for our press towards the English...whom we are not yet strong enough to meet at sea" (quoted in Kennedy, 1980, pp. 239-240).

face of British opposition. As Bülow's shorthand indicated: "No successful overseas policy without a strong fleet...why does Spain lie on the floor? Why does France retreat before England?" In response to Salisbury's intransigence in the face of German demands for a share of Portugal's former colonies in Africa Wilhelm railed, "One can see once again how the noble Lord plays with us and shifts us around, merely because we have no fleet...I stand fast on my list [of demands] and make no further concessions, sharing Herr von Bülow's view that it is better to resign ourselves to the unavoidable [opposition from Britain] and use it [to gain domestic support] for the fleet." Bülow again remarked in 1899, "We cannot permit any foreign power...to tell us: 'What is to be done? The world is already partitioned.' In the coming century, Germany will either be the hammer or the anvil" (quoted in Kennedy, 1973, pp. 614-616, 622).

6.4.2 Non-Cooperative German Signals

Germany's attempts at immediate revision after 1897 took three general forms. To achieve *Mitteleuropa*, German political and economic domination of Continental Europe, Germany sought to manipulate Britain into conflict with France and Russia, thereby weakening her Continental rivals, while retaining a "free hand" for herself in order to remain aloof from such damaging conflicts. Germany therefore rejected any alliance with Britain short of a full British commitment to join the Triple Alliance against France and Russia. In addition, Germany reversed the liberalization of its trade policies under the "New Course," raising tariffs and subsidizing German firms to increase their competitiveness in international markets. *Weltpolitik* entailed German imperial expansion in Africa, and attempts to create exclusive economic spheres in Asia and Latin America in violation of the Open

Door. Finally, both as a means of achieving *Weltpolitik* and *Mitteleuropa* and as an end in itself, the *Wilhelmstrasse* implemented *Flottenpolitik,* the construction of a German battlefleet specifically designed to coerce Britain into acquiescing to German revision in Europe and overseas.

Mitteleuropa

Germany's preference for a mercantilist European trading bloc were belied by its own economic policies after 1897. Following the demise of the "New Course," which had temporarily lowered German tariffs from 1890-94, Germany's trade barriers escalated once again as Bülow bent to the protectionist demands of the powerful German agricultural and heavy industrial sectors. State subsidies and a captive domestic market allowed German firms to "dump" underpriced exports into foreign markets, including Britain, thereby outcompeting their British competitors. After 1897, Germany was engaged in a protracted trade war with Canada, wherein Canada responded to "unfairly" cheap German imports by imposing retaliatory tariffs, while granting "imperial preference" to British goods. Yet rather than offering to lower its own protectionist walls in exchange for a reduction in Canada's, Germany used preferential Canadian commercial policies toward Britain as a pretense to increase its own barriers to Canadian exports. In 1903, Germany threatened a similar response to any British colonies that followed Canada's example, and to rescind Britain's most favored nation status (Kennedy, 1980, p. 262; Craig, pp. 272-285).

In order to facilitate Germany's political and economic domination of Continental Europe, the *Wilhelmstrasse* attempted to foment conflict between Britain and the Dual Alliance. As Bülow put it in 1895, "I consider an Anglo-Russian collision

not as a tragedy, but as an aim to be most fervently desired." This would serve to weaken each of Germany's main rivals, while also diverting Britain's energy from containing Germany's rise. Bülow remarked in 1898 that "we must hold ourselves independent between [Britain and Russia] and be the tongue on the balance." Furthermore, British conflict with France or Russia would drive Britain to lean farther toward Germany, allowing the Kaiser to dictate more favorable terms for Anglo-German cooperation, and thereby enhancing Germany's capacity to revise the international order.

During the Fashoda crisis of 1898 between Britain and France over the Nile valley, Wilhelm assured the Russians of German neutrality while simultaneously promising the British that Germany would intervene on their side in the event of Russian entry into an Anglo-French war (quoted in Kennedy, 1980, pp. 226, 237). Later, Bülow was delighted at news of an Anglo-Russian conflict in Afghanistan in 1902, as he considered the failure of an Anglo-Russian rapprochement "more than ever of the greatest importance" for Germany to avoid encirclement. Following the conclusion of the Anglo-Japanese Alliance, Bülow again attempted to divide Britain and Russia by encouraging war between Russia and Japan, cynically sending messages to each side that the other was bluffing while purporting German disinterest in the Far East (Kennedy, 1980, pp. 258, 262). A Russo-Japanese war was not only expected to damage Anglo-Russian relations by engendering Russian expansion in Asia, but also to weaken Britain's position in Asia with the expected defeat of Japan, and to increase Russian dependence on German goodwill to draw her back into a *Dreikaiserbund* with Germany and Austria-Hungary. Indeed, Germany approached Russia for an alliance as its prospects for victory deteriorated in 1904, but were ultimately denied by Russia in response to German "blackmail" for commercial and military concessions (Kennedy, 1980, pp. 271-273).

Britain's attempts to forge a limited alliance with Germany focused on perceived common interests in Asia or defense against a Franco-Russian combination also foundered in the face of excessively high German demands. As indicated by Bülow's quotes above, the policies of *Weltpolitik* and *Mitteleuropa* - naval building, colonial expansion, and Continental domination - were no longer compatible with the constraints of a formal alliance with Britain. An alliance would have removed the German leadership's justification of its naval expenditure to the Reichstag, thereby threatening their colonial ambitions and the economic rents that such military spending bestowed upon their domestic supporters. Germany was therefore only willing to accept an alliance with Britain only on the most favorable terms. Moreover, even though they had no interest in completing an alliance on terms acceptable to Britain, the Germans attempted to use Britain's desire for an alliance to "blackmail" Britain into diplomatic and colonial concessions: as Ambassador Hatzfeldt advised, Germany "should keep Chamberlain hoping for an alliance only so that they could extract further concessions from him" (quoted in Kennedy, 1973, pp. 613, 618; see also Koch, 1969, pp. 382-386).

In response to Britain's suggestion in 1898 of a mutual defensive alliance in the event of attack by multiple other powers, Bülow admonished the Kaiser not to "pull English chestnuts out of the Russian fire" and asserted that "the English could give no practical help" to Germany in a war against Russia (quoted in Kennedy, 1980, p. 236). German leaders then reacted with hostility to Joseph Chamberlain's 1899 speech advocating a "teutonic" alliance of the US, Britain and Germany. Bülow proclaimed that Germany was not dependent on Britain, and would not stand aside while Britain expanded her empire, while Wilhelm issued personal attacks on Chamberlain and implied his support for Germany's intervention in the Boer War. Although the Kaiser and Chancellor were well aware of the negative effect

these statements would have on Anglo-German relations - Holstein and others in the *Wilhelmstrasse* implored them to moderate their speeches on those very grounds - they needed to draw on Anglophobic popular sentiment in Germany to convince the Reichstag to pass the second Navy Law. Thus, German leaders were willing to send a clear non-cooperative signal to Britain in order to accelerate their revision of the international order (Grenville, pp. 344-65; Koch, 1969, pp. 380-386).

Bülow also sabotaged alliance negotiations with Lansdowne in 1901 by insisting that Britain not only enter a war in the event that Germany were attacked, but effectively become a full member of the Triple Alliance. Bülow even suggested that Lansdowne first approach Austria for an alliance before Germany would even consider such a proposal. At the same time, Bülow rejected the reciprocal British request that Germany be obligated to come to the defense of the Empire, as well as the Home Islands. When Lansdowne followed up with his seemingly costless declaration of common Anglo-German interests and mutual goodwill, the German ambassador replied that any Anglo-German agreement must be "all or none." In essence, Germany was unwilling to sacrifice its freedom for colonial expansion in Asia and Africa, or to be drawn into an Anglo-Russian conflict, unless Britain was willing to become a full party to German domination of Continental Europe by aligning itself with Germany against France and Russia (Kennedy, 1980, pp. 245-249; Monger, pp. 21-45, 62-66, quote p. 66).

Weltpolitik

Germany's revision in response to British hedging extended to the acquisition of exclusive overseas empires in Africa, Asia, and Latin America. In 1898, when Britain

was negotiating a takeover of Portugal's former colonies in Southern Africa, Wilhelm inserted himself into the proceedings and made "enormous" demands that part of the territory be ceded to Germany (Kennedy, 1973, pp. 613-614). That same year, the Germans annexed the Caroline Islands (despite the assessment of the German navy that they were worthless), openly coveted former Spanish possessions (e.g., the Philippines), and pressed Britain to cede the Samoan island group to them. Germany showed remarkable intransigence on the Samoan issue, engaging in provocative naval posturing, refusing Chamberlain's offer of much more valuable territorial compensation in Africa in exchange for the "rotten little islands," and threatening "to draw closer to Russia and even to France" (Kennedy, 1974). Although it was clear to German leaders that this imperial competition would be seen by Britain as antagonistic, Wilhelm and Bülow saw British acquisition of additional colonies as a means of containing German power, as well as a denial Germany's inherent imperial ambitions: expanding the Empire potentially allowed Britain to become more autarkic at the expense of German exports, while hindering its ability to project power overseas and its access to the markets, manpower and raw materials that colonies could provide (Kennedy, 1980, pp. 235-236).

Most important was Germany's behavior in China. Germany undermined Britain's Open Door policy by leasing Kiaochow in 1897, setting off a wave of imperial annexations, including Port Arthur by Russia and additional portions of Manchuria by Japan (Otte, 1995; Kennedy, 1980, pp. 233-234). Following the Boxer Rebellion in 1900, German leaders ostensibly shared Britain's fear that the defeat of the Chinese peasant uprising would result in China being "carved up" into exclusive political and economic units, thereby vitiating the Open Door. However, the true motive for German opposition to the immediate partition of China was that Germany hoped to eventually get a larger exclusive share of Chinese territory

by delaying partition until increases in its power over the next decade facilitated German expansion at the expense of its great power rivals. Specifically, Germany hoped to acquire concessions in the lucrative commercial region surrounding the Yangzi River, where British trading interests were dominant. Thus, in the summer of 1900 Germany approached Britain with the "Yangzi Treaty", which seemed to be an offer of alliance to preserve the Open Door and the territorial status quo in China, but was in fact an attempt to attain British cooperation in order to revise the regional order on more favorable terms in the future (Kawai, 1939; Kennedy, 1980, pp. 242-243).

The Yangzi Treaty initially aroused great enthusiasm in the British Cabinet. Chamberlain saw it as an opportunity to salvage the Open Door in China by getting Germany to "throw herself across the path of Russia," and the treaty was signed in October, 1900. However, it quickly became apparent that the treaty was, in the words of US Secretary of State John Hay, "a horrible practical joke on England," and that Germany's aim was simply to restrict Britain from taking acquiring exclusive control of the Yangzi in the event of a "scramble" for China. Rather than joining with Britain in solidarity against Russian expansion in 1901, Germany interpreted the treaty to exclude opposition to Russia's acquisition of Manchuria. Bülow argued that because Germany's interests were not directly involved, it could only adopt the "strictest and most correct neutrality." Moreover, Germany used Russian advances as a pretext to annex additional territory in Shandong in 1901 (quoted in Kawai, 1939, pp. 420-424; Kennedy, 1980, pp. 242-244; see also Grenville, pp. 312-14).

Finally, Germany aggressively pursued a Latin American empire, particularly in Venezuela (Herwig, 1986). Though this did not directly affect British interests, it

did indicate Germany's dissatisfaction with the open, non-discriminatory economic order that Britain and the United States had maintained in the region. Moreover, it indirectly jeopardized Britain's good relations with the United States. In 1902, Germany jumped at the opportunity to improve its rapidly deteriorating relations with Britain by jointly intervening in Venezuela to recoup unpaid debts from the Venezuelan government. However, the operation was a disaster for Germany's foreign relations. The British Government let there be no mistake that Britain sought nothing but its legitimate claim to repayment of the Venezuelan debt, and deferred to American primacy in the region by acknowledging the Monroe Doctrine. In contrast, Bülow conspicuously avoided such recognition of American interests. The German Foreign Office explained the Chancellor's conundrum:

> "If the Chancellor follows the example of English ministers in more or less expressly recognizing the Monroe Doctrine, this will cut across the many hopes of a future German possession in South or Central America...If, in contrast, the Chancellor avoids expressing any recognition of that doctrine, then in view of the present unfriendly American sentiments a break with the United States would be the certain result" (quoted in Kennedy, 1980, pp. 258-9).

Not only did Germany fail to recognize the Monroe Doctrine, but to underscore the limits of US influence in the Western Hemisphere, official German documents repeatedly referred to the United States of *North* America (Herwig, p. 241). Unsurprisingly, German participation in the intervention was unwelcome in the US, where the government and the press alike condemned crude and intrusive German actions, including the sinking of two Venezuelan warships. "Worse," wrote the *New York Times* hyperbolically, "have rarely come under observation of civilized

man" (Adams, pp. 47-49).

Flottenpolitik

The core of Germany's strategy to accelerate revision of the international order was to undermine British military and economic power through the construction of a dominant German navy. Wilhelm and Tirpitz anticipated that "a fleet equally strong as England's" would ultimately be necessary to achieve their aims of *Weltpolitik* and *Mitteleuropa*: the fleet would allow Germany to compete with Britain for colonial territory on equal terms and vitiate Britain's capacity to blockade Germany, thereby facilitating German domination of Europe (quoted in Kennedy, 1983, p. 160). Yet Tirpitz's appointment as head of the Navy in 1897 was only in response to mounting evidence that Britain would not join the Triple Alliance under the present circumstances, and would instead play the role of "offshore balancer" to hedge against rising German power. Since German cooperation in the early 1890s had not resulted in a British commitment to the Triple Alliance, German leaders concluded that they had little incentive to continue to refrain from their naval ambitions in the hope of obtaining one. Indeed, Bülow acknowledged that the naval program was "scarcely reconcilable with a really honest and trustworthy Anglo-German Alliance" (quoted in Kennedy, 1973, p. 610). In fact, the *Wilhelmstrasse* ascertained that short-term British accommodation was more likely with a strong German navy than without one. Tirpitz was therefore tasked with creating a powerful fleet befitting the Kaiser's image of Germany as a "World Power" and capable of rivalling Britain, both to gain Britain's respect for Germany as a great power (and hence for Wilhelm as its leader), and to convince the British that they needed Germany as an ally because they could not afford to have her as an enemy.

Initial German naval expansion was commissioned in two "Navy Laws," of 1898 and 1900. Tirpitz proposed to challenge British naval supremacy in its home waters of the North Sea - "between Heligoland and the Thames" - by constructing a "battlefleet," a homogenous fleet of heavily armored, short-range battleships, while deemphasizing lighter, faster cruisers that were more conducive to escorting cargo ships or attending to a far-flung colonial empire (Kennedy, 1980, p. 224). In 1898, Germany had seven first-class battleships to Britain's 38, and two first-class cruisers to Britain's 34. The first Navy Law was to increase the German battleship fleet to 19, still just half the size of Britain's. Yet for Tirpitz, "it was always clear...that the first Navy Law did not create the final, full fleet...the construction of the fleet is the work of a generation" (quoted in Kennedy, 1983, pp. 130-131). As such, as soon as the first Navy Law was passed, Tirpitz began preparations for the second Navy Law, which was to double the battlefleet to match Britain's 38 ships, and in 1899 he told the Kaiser of his plans to build 45 battleships with accompanying heavy cruisers. Thereafter, he envisioned a *minimum* program of three battleships and three cruisers a year, with a 20-year lifespan, effectively maintaining a 60-ship battlefleet. The logic of a buildup of this magnitude and character was to threaten overall British maritime supremacy, such that Britain would be deterred not only from attacking Germany, but from opposing German policy elsewhere for fear of German attack on British coastal waters. As Tirpitz explained to the Kaiser, Britain was "the enemy against which we most urgently require a certain level of naval force as a political power factor, which Germany unquestionably requires in peace as well as war, if it is not to cede its position among the ranks of the Great Powers." He later acknowledged that "the lever of our *Weltpolitik* was the North Sea; it influenced the entire globe without us needing to be directly engaged in any other place" (quoted in Kennedy, 1980, p.

224; Kennedy, 1983, pp. 133, 158).

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In sum, in response to persistent British hedging over the first half of the 1890s Germany became convinced that full British accommodation, in the form of joining the Triple alliance against France and Russia, was not forthcoming. As the power shift game predicts, once German leaders anticipated continued opposition from Britain despite their cooperative signals, their incentive to misrepresent decreased markedly. By 1897, Wilhelm had completely abandoned the New Course, replacing Germany's foreign policy leadership and explicitly embarking on a program of revision, despite the acknowledgement of German leaders that doing so would send non-cooperative signals to Britain. Thus, contrary to the pessimist signaling hypothesis, Germany did not continue to misrepresent its incompatible preferences for the international order.

6.5 Negative British Updating about German Intentions, 1897-1904

British leaders immediately recognized the change in Germany's foreign policy after 1897, but it was over the course of several years that they negatively updated their beliefs about German goals for the international order. Germany's colonial expansion, violations of the Open Door, attempts to use Britain's alliance offers to extract concessions, and above all, its naval construction were all recognized in Britain as non-cooperative signals, yet the motivations for German behavior remained unclear. Thus, from 1898 to 1901, British leaders structured their alliance

offers and overseas policies in ways that would "test" German intentions, and looked carefully for clues about the purpose of the German navy. By the end of 1902, even those British leaders who had initially been most optimistic about German intentions had negatively updated their beliefs. Thereafter, Britain shifted to a policy of full containment of Germany, redeploying the Royal Navy to home waters, dramatically increasing naval estimates, restructuring the British Army for a Continental intervention against Germany, and reaching accords with former adversaries Japan, France and Russia to form a powerful balancing coalition by 1907.

6.5.1 Britain's Response to German Imperialism and Protectionism

As Germany's imperial expansion became more brazen after 1897, British statesmen grew more apprehensive about Germany's intentions for the regional international orders in Asia, Africa, and Latin America. Wilhelm's brash demands for colonial concessions from Britain in Samoa and Portuguese Africa illustrated for Salisbury that German foreign policy was reckless, impulsive and unreasonable, and the Prime Minister steadfastly resisted making any undue concessions to Germany on these issues. Even Chamberlain, whose proposed concessions ultimately resolved the Samoan dispute, found German policy on that issue one of "undisguised blackmail" (quoted in Kennedy, 1980, p. 241).

For the Cabinet, Germany's violation of the Open Door in Shandong in 1898 and its refusal to cooperate with Britain to counter Russian expansion in Asia in 1897 and 1900 were key signals that revealed Germany's goals to be incompatible

(Kawai, 1939; Otte, 1995). There was a pervasive feeling that Germany had encouraged Britain to act against Russia, then "at the crucial moment, left her in the lurch" (Bourne, p. 168; Monger, p. 29). Chamberlain, who had been the foremost advocate of an Anglo-German alliance, thereafter abandoned that strategy, and instead pursued rapprochement with France and Russia. Lansdowne, who succeeded Salisbury as Foreign Minister in 1901, wrote of his attempts at cooperation in Asia that "I did my best to minimize the importance of our differences... but Bülow had not made it easier for me by the extreme frankness by which he repudiated all concern with Manchuria" (quoted in Grenville, p. 342).

The Foreign Office had also grown increasingly skeptical of German intentions by 1900. Sir Thomas Sanderson believed that "the Germans have some agreement with Russia to leave her a free hand in Manchuria [in exchange for] their own sphere in Shandong," and Sir Francis Bertie was sure that Germany would demand a heavy price from Britain for illusory cooperation against Russia in Asia (quoted in Monger, p. 19). Bertie was so distrustful of German imperialism in 1902 that he favored a policy of checking German colonial expansion in Africa by supporting French expansion at Germany's expense. An Army memorandum that year advocated rapprochement with the Dual Alliance on the grounds that the German government and people were intent on "superseding us in the commercial and naval supremacy," and constituted "our most persistent, deliberate, and formidable rival." Similarly, former Ambassador to Germany Cecil Spring-Rice pressed Britain's need to come to "some defensive understandings with other nations equally threatened by the new German chauvinism" (quoted in Kennedy, 1980, pp. 252-253).

Germany's exploitive attempts at imperial expansion in Latin America not only

belied the *Wilhelmstrasse's* goal of a mercantilist *Weltpolitik*, it also meant that British cooperation with Germany jeopardized its relations with other states that were threatened by Germany's rise. In 1903, future Prime Minister Sir Edward Grey spoke openly against a joint Anglo-German blockade of Venezuela to reclaim unpaid loans, calling Germany "our worst enemy and our greatest danger...close relations with Germany means for us worse relations with the rest of the world, especially with the US, France, and Russia." The British press broadly agreed that the Government had put itself "in a ridiculous position" by cooperating with "a power with which she has, and can have, no sympathy, because that power is aiming at her fall," and which was deliberately seeking to undermine the hard-earned Anglo-American friendship (quoted in Kennedy, 1980, p. 259; see also Herwig, 1986, pp. 80-109).

By 1904 even Lansdowne and Balfour, who had been among the British officials most sympathetic to Germany, were convinced of German hostility. Already suspicious, Lansdowne saw Germany's response to Britain's reorganization of Egypt's administrative structure as a "test case" of whether relations with Germany could be salvaged. Yet among the states with interests in Egypt, Germany alone demanded compensation from Britain in exchange for conceding to the reorganization, while the others easily settled the terms of their withdrawal. When Bülow proceeded to threaten to turn to Russia if German demands were not met, the normally stoic Lansdowne "exploded into anger," while Balfour repeatedly referred to this episode as a particularly odious episode of German "blackmail" (Kennedy, 1980, p. 269; Grenville, pp. 166-9, 351).

Germany's mercantilist goals were also evidenced by its escalating barriers to trade. Around the turn of the century, British firms complained about increas-

ing "dumping" of underpriced goods by German firms, which was facilitated by state subsidies and rents from tariff protection of the German home market. This "unfair" trade was considered likely to worsen in the future, as Bülow continued to bend to the domestic demands of the powerful German agricultural and heavy industrial sectors for increases in the general tariff. Furthermore, although Germany's ongoing tariff war with Canada after 1897 had little negative impact on Britain's home economy, it was seen as a "test case" of how Germany would respond to retaliatory tariffs by Britain granting preferential commercial privileges to the Empire. In 1903, British leaders replied to German threats to revoke Britain's "most favored nation" status if other colonies followed Canada's example with retaliatory threats of their own. Balfour called German actions a "huge injustice" and Lansdowne warned that "the United Kingdom will strongly resent any further attempt by any foreign country to dictate arrangements within the Empire." Within weeks, Chamberlain came out openly in favor of tariff reform and resigned his ministry in order to campaign for a British imperial preference system. Moreover, German officials, including Bülow himself, recognized that it was only the impending loss of the German market that provoked Chamberlain and British industrialists to push for preferential trade with the colonies, noting that "a tariff war with us would...be suitable for firmly uniting the colonies with the motherland," and that "if Germany subscribed to free-trading views, then this British imperialism would be defeated." Yet Germany's domestic political and socioeconomic structure, as well as the personal preferences of the Kaiser, made this impossible (quoted in Kennedy, 1980, pp. 262-264).

6.5.2 Britain's Response to the Failure of Alliance Negotiations

British statesmen quickly realized that Germany's attempts to manipulate Britain into a conflict with Russia or into joining the Triple Alliance indicated that it intended to dominate Europe, and that its goals overseas were incompatible with Britain's. Salisbury termed Germany's repeated insistence on a full alliance that would tie Britain's hands in Europe "political blackmail," famously telling the German ambassador in 1898 "You ask too much for your friendship." British leaders also saw through Wilhelm's clumsy attempts to foment conflict between Britain and the Dual Alliance. Salisbury told Balfour in 1898 that "the one object of the German Emperor since he has been on the throne has been to get us into a war with France," and in 1900 asserted that Germany "will never stand by us against Russia; but is always rather inclined to curry favor with Russia by throwing us over. I have no wish to quarrel with her, but my faith in her is infinitesimal" (quoted in Monger, p. 17). Queen Victoria described German efforts to foment Anglo-Russian conflict as "systematic and hardly concealed" (quoted in Kennedy, 1980, p. 237).

In 1901, Lansdowne characterized his offer of a limited Anglo-German alliance that would oblige both countries to aid Japan in the event of an attack by France and Russia as "intended to elicit from Germany a distinct statement of her intentions." If Germany refused, he told the Cabinet, "we shall have to reconsider the situation." Germany insisted instead on full British membership in the Triple Alliance, which Lansdowne understood "would oblige us to adopt in all our foreign relations a policy which would no longer be British, but Anglo-German," a barrier he deemed "virtually insuperable." This led to an emphatic change in Lansdowne's

beliefs:

> "[Germany's] interests are different from ours, and she has a habit
> of securing her pound of flesh whenever she confers or makes belief to
> confer a favour. In this case, I should be afraid of her cutting the pound
> off our joint...she is sure to seek privileges or preferences of some sort
> at our expense" (quoted in Monger, pp. 27, 45).

Other British leaders also updated their beliefs. Salisbury issued a memorandum that spring that warned that an alliance with Germany would "incur novel and most onerous obligations" and "excite bitter murmurs in every rank of German society" (quoted in Bourne, pp. 165-76; 463). Balfour admitted as well that alliance was impossible for the time being because the Germans were only interested in one-sided bargains, while Bertie argued that alliance with Germany would worsen relations with France and Russia, which in turn would tie Britain's hands and put her at the mercy of German foreign policy (Kennedy, 1973).

By 1902, even Joseph Chamberlain, once the most dogged advocate of alliance with Germany, suspected by 1902 that German intentions had been unfriendly all along, and adopted Salisbury's "free hand" convictions, while promoting alignment with the Dual Alliance. The shift in Chamberlain's beliefs was the culmination of Bülow's cold reaction to his public solicitation of a "teutonic" alliance in 1899, German refusal to aid Britain in preserving the Open Door in China in 1900, and persistent public attacks by Bülow against British policy in South Africa, for which the Chamberlain, as Colonial Secretary, was responsible (Grenville, pp. 164-9, 347-349, 361, 368; Kennedy, 1980, pp. 231-250, 278-80). Bülow's speech in the Reichstag in January 1902 attacking Chamberlain and renouncing alliance with

Britain evoked a hostile reaction from London, including moderates Sanderson, Lansdowne and Balfour "at least as great as in the immediate aftermath of the Kruger telegram" (quoted in Wilson, 2008, p. 263). Chamberlain concluded that "Germany's insulting behavior [during alliance negotiations] had produced such irritation in Britain that it had become impossible to consider joining the Triple Alliance" (quoted in Grenville, pp. 357-65).

During the Russo-Japanese War, British leaders were struck by how calmly Germany reacted to news that Russia had seized a German merchant ship, while the official German press devoted heavy attention to similar Russian actions against Britain. Secretary of Imperial Defense George Clark reported to Balfour that German behavior was "a little suspicious. Nothing could suit Germany better than to see us embroiled with France which would at once place [Germany] in a commanding position." The *Times* reported that Germany and Russia were close to reaching a secret alliance, and the British press even went so far as to blame Russian transgressions against Britain on German machinations. The new First Sea Lord, Jacky Fisher, agreed that "It's really the Germans behind it all" (quoted in Kennedy, 1980, pp. 271-272).

6.5.3   Britain's Response to the German Navy

The construction of Germany's navy, which began with the first Navy Law of 1898, did not in itself indicate to Britain that German intentions were hostile. It was not until after the second Navy Law of 1900 that the Admiralty began to consider the German navy a threat to Britain, as it became increasingly obvious that Germany's fleet could have no purpose except to challenge Britain's naval superiority in its home waters of the North Sea (Kennedy, 1980, pp. 271-2). The

technical specifications of Germany's battleships indicated restricted range and short-term accommodations that made them unusable outside of the North Sea, and therefore only against Britain (Rock, 1989, p. 70). By 1902, Selborne, the First Lord of the Admiralty, had been informed that "the German Navy is professedly aimed at that of the greatest sea power - us," and the germanophilic Ambassador to Berlin, Frank Lascelles, reported that although he was "optimistic" about Anglo-German relations, "we cannot safely ignore the malignant hatred of the German people or the manifest design of the German Navy." That year, the Admiralty presented in Commons its conclusion that "against England alone is...the modern German navy necessary; against England, unless all available evidence and all probability combine to mislead, that weapon is being prepared." The Admiralty again confirmed in 1904 that "The more the composition of the German fleet is examined, the clearer it becomes that it is designed for a possible conflict with the British fleet" (quoted in Monger, pp. 63-69, 82; Wilson, 2008, p. 262).[12]

The British press, as well, abandoned its earlier warmth for Germany in response to the second Navy Law and the resulting inferences about the intent of German naval expansion, and began publishing articles with such titles as "England's Real Enemy." Valentine Chirol, the editor of the *Times*, saw through Bülow's attempts at misrepresentation, characterizing Germany as "more fundamentally hostile than either France or Russia," but noted in light of her incomplete naval program, that "she is not ready yet. She looks upon us as an artichoke to be pulled apart leaf by leaf" (quoted in Kennedy, 1980, pp. 247-248).

In 1904, Ambassador Lascelles informed his German counterpart that British

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[12]Selborne continued that the German fleet "cannot be designed for the purpose of playing a leading part in a future war between Germany and France and Russia. The issue of such a war can only be decided by armies on land and the great naval expenditure on which Germany has embarked involves a deliberate dimunition of the military strength which Germany might otherwise have attained in relation to France and Russia." Quoted in Wilson, 2008, p. 262.

naval increases and redeployments would not have been undertaken "if the German fleet had not been built," and Selborne explained to an Admiral in the *Reichsmarine* how the Admiralty had inferred that the German navy was directed at Britain (quoted in Kennedy, 1980, pp. 270-272). Sir Edward Grey, who would succeed Lansdowne as Foreign Minister in 1906, characterized Germany's willingness to curb its naval budget as "*the* test of whether an [Anglo-German] agreement was worth anything" (emphasis in original). Sir Eyre Crowe wrote in 1906 that it was "quite ridiculous to believe" the claims of Wilhelm and Tirpitz that "'defending German commerce' etc. [is] the reason for a bigger [German] fleet. Commerce is defended in one way and one way only: namely the destruction of the opponent's naval force" (quoted in Kennedy, 1980, pp. 415-416, 421).

The pervasive attitude in the Foreign Office was that although it remained unclear exactly how Germany intended to reshape the international order, its naval construction signaled a high likelihood that Germany saw its preferences as incompatible with Britain's. Eyre Crowe's New Year's Day memorandum represents the view of the Foreign Office by the end of 1906:

> "So long as Germany competes for an intellectual and moral leadership of the world in reliance on her own national advantages, England can but admire... If, on the other hand, Germany believes that greater relative preponderance of material power, wider extent of territory, inviolable frontiers, and supremacy at sea are necessary... then England must expect that Germany will surely seek to diminish the power of any rivals... The aspect of German policy in the past would warrant a belief that a further development on the same general lines would not constitute a break with former traditions... such a conception of

world-policy offers perhaps the only quite consistent explanation of the tenacity with which Germany pursues the construction of a powerful navy" (quoted in Bourne, pp. 483-7).

Thus, although it had accommodated rising German naval power only a few year prior, Britain was compelled to compete with Germany in a naval race by the middle of the decade.

6.5.4 Escalation of British Containment, 1902-1907

As a result of their growing recognition that German goals were antithetical to their own, British leaders began to shift their foreign policy toward Germany from a hedging strategy to on of full containment after 1901. By 1902, Britain had embraced the settlement of colonial disputes with France and Russia and begun negotiations for alliance with Japan, while also redeploying the Royal Navy to the North Sea from Asia, the Caribbean and the Mediterranean and dramatically increasing both the quality and quantity of its naval construction (Bourne, pp. 176, 182). By 1907, these policies had culminated in a full-scale Anglo-German naval race and encirclement of Germany by the Triple Entente of Britain, France and Russia.[13]

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[13] Although Britain contained Germany after 1902, it continued to attempt to salvage relations with Germany. Both Balfour and Lansdowne held out hope that Germany's preferences for expansion and mercantilism might change in the future. Germany "might return to the path of sanity," and there were "a good many questions in which it is important for both countries that we should work cordially together" (quoted in Bourne, p. 185; Kennedy, 1980, pp. 253-256). British Ambassador Cecil Spring-Rice complained that "Germany is a mystery. Does she simply want the destruction of England pure and simple – or does she want definite things which England can help her to get?" (quoted in Kennedy, 1980, p. 431). Grey attempted cooperation with Germany over the Baghdad Railway project in 1903, and held that commercial and colonial cooperation and concession would play an ameliorative role in Anglo-German relations. After 1902, Britain continued to make offers to Germany of an arms control agreement on naval building, colonial concessions, and even benevolent neutrality if Germany were attacked by a combination of powers.

The conclusion of the Anglo-Japanese alliance in January, 1902 grew directly out of Germany's non-cooperation. German rejection of Britain's attempts at alliance in Asia to contain Russian expansion, and German's own violations of the Open Door meant that Britain needed an ally to preserve the status quo order. Moreover, not only did Japanese support augment Britain's capacity to resist German and Russian revision in China, it also allowed Britain to redeploy its naval resources to the North Sea to meet the increasing German naval threat (Chamberlain, p. 162; Monger, pp. 21-30, 56-62). Selborne noted that

"If the British navy were defeated in the Mediterranean and the Channel, the stress of our position would not be alleviated by any amount of superiority in the Chinese seas. If, on the other hand, it were to prove supreme in the Mediterranean and the Channel, even serious disasters in the Chinese seas would matter little" (quoted in Lowe, 1969, p. 399).

Furthermore, with a formidable, non-European ally in tow, Britain could reassert her strategic independence from Germany, effectively confiscating Germany's free hand: Germany could no longer "blackmail" Britain into making concessions for German friendship, and was no longer susceptible to Wilhelm's machinations to foment Anglo-French and Anglo-Russian conflict (Kennedy, 1980, p. 249). This facilitated the eventual rapprochement with the Dual Alliance that would result in Germany's "encirclement" by hostile powers.

The 1904 *entente cordiale* with France was also predominantly driven by fear of Germany. British awareness of German tactics to wedge Britain apart from the Dual Alliance made the Foreign Office that much more anxious to settle differ-

Yet Germany continued to make acceptance of Britain's proposal of a "naval holiday" conditional on British neutrality in the event of *any* European conflict (Kennedy, 1983, pp. 24-25).

ences with Paris. First Lord Jacky Fisher argued that "it is our vital necessity to establish a French alliance" to counter growing German naval strength directed at Britain (quoted in Kennedy, 1980, p. 266-7). Rather than driving Britain into conflict with the Dual Alliance, as Germany had hoped, the escalating Russo-Japanese crisis in the Far East accelerated the settlement of Anglo-French colonial disputes, as neither party wanted to risk the other entering the war, thereby triggering their own alliance obligations to Japan and Russia, respectively. In April, a treaty resolving many long-standing overseas quarrels was announced, including exchanges of disputed territories but also a mutual commitment to support each other's claims in Morocco and Egypt against German encroachment (Monger, pp. 157-159). The announcement of the entente almost immediately prompted Italy to defect from the Triple Alliance at the prospect of opposing the two great Mediterranean naval powers in the event of a European war. Thereafter, the Entente proved durable in the face of continuous attempts by Germany to break it apart. In the 1905-06 Morocco Crisis, Germany belligerently challenged French colonial claims in that country in order to demonstrate that the Anglo-French entente was totally ineffectual for securing French interests. However, the German bluff backfired. In response to Germany's threats of war, British military planners deemed it "necessary for Great Britain...to lend France her active support," and both Lansdowne in 1905 and his replacement Grey in 1906 issued public warnings to Germany that Britain would intervene on the side of France (quoted in Bourne, p. 185; Bartlett, p. 101).

The Anglo-Russian entente was much more unequivocally a response to the German threat. In 1906 the Intelligence Division declared

"we should have [Russia] on our side if and when Germany reaches

the Persian Gulf - a contingency which is far less desirable than Russia's presence there. It would also tend to weaken Germany's military position in Europe, and therefore to strengthen our own...Germany's avowed aims and ambitions are such that they seem bound to bring her into armed collision with us sooner or later, and therefore a little more or less enmity on her part is not a matter of great importance" (quoted in Monger, p. 282).

Grey remarked that he was "impatient to see Russia re-established as a factor in European politics," and that "An entente between Russia, France and ourselves would be absolutely secure. If it is necessary to check Germany then it could be done" (quoted in Bourne, p. 480). In August 1907, Britain and Russia reached an accord that delineated spheres of influence in Persia, Tibet and Afghanistan, effectively resolving the longstanding "Great Game" in the Near East that had persisted since the 1870s (Monger, pp. 283-295). Thereafter, Grey promised France full (though informal) British support against Germany, and remained skeptical of any effort to improve Anglo-German relations that might jeopardize the entente, insisting that Britain "cannot sacrifice the friendship of Russia or of France," and must remain free to support them against German aggression (quoted in Kennedy, 1980, pp. 283, 416).

As early as the end of 1900, British naval planners had begun to pay particular attention to Germany in their strategic planning. The Director of Naval Intelligence calculated that since the German fleet was projected to be larger than Russia's by 1906 that the "two-power standard" should be applied "against the navies of France and Germany," rather than France and Russia, "as the German Navy will be at that date a much greater danger to this country than the fleet

of Russia." First Sea Lord Sir Walter Kerr refused requests by Admiral Fisher to allow any redeployment of the Home Fleet to the Mediterranean in view of the growing German naval presence in the North Sea. In 1902, Balfour, Lansdowne, Chamberlain and Selborne decided to construct a new North Sea naval base, with a battlefleet stationed there the size of which would "be practically determined by the power of the German Navy." Naval Intelligence ascertained that "we shall have to fight for command of the North Sea." Selborne threatened to resign as First Lord unless the Treasury guarantee sufficient funds to maintain and "adequate margin" of battleships above the two-power standard "in view of the rapid expansion of the German Navy" (quoted in Kennedy, 1980, p. 251).

Following the conclusion of the entente with France in 1904, the Admiralty redistributed the Navy's main squadron from the Mediterranean to the Channel, to counter Germany while cooperating with France. This was a stunning reversal of the British strategy just a half-decade prior. During the Russo-Japanese war, the Admiralty reiterated that "If the Russian navy does emerge from the present war materially weakened, the result will be that the two-power standard must hereafter be calculated with reference to the navies of France and Germany, instead of those of France and Russia" (quoted in Kennedy, 1980, pp. 270-272). By 1906, apprehensions about German fleet increases were sufficient that the Admiralty was recalling warships from "imperial police" missions against the will of the Foreign and Colonial Offices. "Our only probable enemy is Germany," Fisher explained. "Germany keeps her whole fleet always concentrated within a few hours of England. We must therefore keep a fleet twice as powerful as that of Germany always concentrated within a few hours of Germany...She threatens not our outlying possessions," as Russia or France did, "but our vitals" (quoted in Kennedy, 1983, p. 142).

The British army, too, began to plan for war with Germany in 1902, which it had never previously done. Eyre Crowe argued for reorganization of the army, which had performed so poorly in the Boer War, in preparation for a likely continental intervention against Germany. This began in earnest in 1905, in response to the prospect of a Franco-German War during the Morocco Crisis (Gooch, 1994, pp. 294-300). By the middle of the year, British military strategy included the dispatch of 120,000 troops across the Channel, and the deployment in Europe of additional troops from India. The Admiralty and War Office agreed that "a second overthrow of France by Germany...would end in the aggrandizement of Germany to an extent which would be prejudicial to the whole of Europe." It was therefore necessary for Britain "to lend France her active support should war break out." This commitment to intervene militarily in a continental war against Germany was, as Paul Kennedy puts it, "a complete revolution in British policy, which quite deranged the traditional strategy" of splendid isolation (quoted in Kennedy, 1980, pp. 280, 423).

6.6   Conclusion

This chapter has shown that the logic of the power shift game explains why and how Anglo-German relations deteriorated at the end of the 19th century. British leaders were quite optimistic about Germany's goals for the international order at the beginning of the 1890s. Thus, Salisbury, and his liberal successor Rosebery, "leaned" toward the Triple Alliance, and largely accommodated Germany's rise as a positive development for the preservation of Britain's liberal international order. Yet in spite of that optimism and consistently cooperative signals by Germany through the first half of the decade, Britain still hedged against Germany's rising

power. Britain refused to commit to the Triple Alliance or to concede overseas possessions to Germany and her allies, consistently sought to improve relations with Russia and France in order to preserve the possibility of containing Germany if necessary, and inched toward preferential trade with the Empire in order to counteract the competitive advantage that protection was conferring on German firms.

As the power shift game predicts, Britain's limited preventive strategy reduced Germany's incentive to misrepresent its incompatible goals for the international order, and elicited non-cooperative signals that allowed British leaders to accurately update their beliefs that German intentions were hostile. Given the high domestic opportunity costs of delaying revision of the international order - foregoing appeals to popular nationalism that would generate support for the regime, protectionist rents to key patronage groups, and personal glory for the Kaiser - German leaders were only willing to maintain a deferential policy of cooperation with Britain if it would allow them to secure full British accommodation, including membership in the Triple Alliance, unilateral free trade, and defense of Germany's colonial possessions empire. When it had become obvious by 1897 that British hedging would continue despite Germany's cooperation, Wilhelm and his new foreign policymakers, Bülow and Tirpitz, began to implement *Weltpolitik* and *Mitteleuropa*, despite their recognition of the negative signals these policies would likely send to Britain, and dangers of incurring full British opposition. Germany repeatedly rejected Britain's offers of alliance and attempted to use Britain's desire for cooperation to blackmail Britain into political or territorial concessions. German leaders transparently attempted to foment conflict between Britain and the Dual Alliance in Asia and Africa. Germany's own imperial policies violated the Open Door, the central tenet of Britain's liberal economic order. Most importantly, the German

battlefleet threatened Britain's security, and was such a nature that it could only be intended for use against Britain. These non-cooperative signals led British leaders to negatively update their beliefs about German intentions, and adopt a strategy of full containment after 1902 that resulted in Germany's encirclement by a powerful balancing coalition by 1907.

Chapter 7

Conclusion: Power Shifts, Interstate Signaling, and US-China Relations

7.1 Summary of Findings

The question posed at the outset of this study was, how and when can rising states credibly signal their future intentions? This question has not been directly addressed in existing international relations scholarship. Whereas existing theories of interstate signaling have assumed a static distribution of power, theories of power shifts have assumed that declining states have fixed beliefs about risers' intentions, while neglecting the mechanisms by which those beliefs are formed.

Based on these assumptions, two general hypotheses have emerged in the existing literature regarding the credibility of a rising state's cooperative behavior as a signal of its benign intentions. "Signaling pessimists" point out that power shifts present high barriers to credible signals of a rising state's benign intentions, because "hostile" rising states - those whose preferences are incompatible with the declining state's - have strong incentives to misrepresent (Copeland, 2000; Mearsheimer, 2001; Montgomery, 2006; Edelstein, 2002). Pessimists argue that rather than attempting immediate revision, which would incur opposition from the still more-powerful declining state, hostile risers should bide their time and behave cooperatively until they have become more powerful in the future. Thus, because both benign and hostile rising states send cooperative signals, pessimists conclude that these signals are non-credible, and that declining states remain intractably uncertain about risers' future intentions.

On the other hand, "signaling optimists" argue that despite these incentives to misrepresent, rising states' cooperative signals remain credible even under a large projected power shift (PPS). Optimists argue that it remains more costly for hostile risers to send cooperative signals than for benign ones: because hostile types are dissatisfied with the status quo international order, they will be unwilling to forgo the benefits of immediate revision in order to misrepresent their intentions. Thus, optimists claim that declining states should be able to extrapolate from a rising state's cooperative signals in the present to form accurate beliefs about the its benign intentions in the future. (Kydd, 2005; Glaser, 2010).

The formal model presented in Chapter 1 - the power shift game - demonstrates that neither of these theories is strictly correct. Although pessimists are correct that a large PPS reduces the credibility of a rising state's cooperative signals all

else equal, the expectation of decline creates a strong incentive for the declining state to take preventive action against the riser: knowing that it will become more vulnerable to revision by the rising state in the future if the riser's intentions are actually hostile, the declining state has an incentive to oppose the riser in the present, under a relatively favorable distribution of power. As pessimists point out, this is the case even if the riser exhibits cooperative behavior, since such behavior is not a credible signal of the riser's true intentions.

However, the power shift game also shows that prevention serves as a *screening mechanism* that increases the credibility of the riser's cooperative signals. By exerting some degree of opposition against the riser, even in response to cooperative signals, the declining state reduces the incentive for hostile types to misrepresent. Since cooperation no longer allows the rising state to completely avoid opposition, hostile types are less inclined to forgo the benefits of immediate revision in order to misrepresent. In turn, as the decliner's prevention makes hostile risers more likely to reveal their incompatible goals by attempting revision, continued cooperation by benign rising states becomes a more credible signal of their true intentions. Thus, the declining state's preventive motivation under a large PPS causes the rising state's cooperative signal to remain relatively (though not completely) credible.

In addition, Chapter 2 identifies a second screening mechanism that is available to declining states to increase the credibility of a rising state's cooperative signals: targeted retrenchment. The formal model presented in Chapter 2 - the retrenchment game - demonstrates that by reducing the decliner's ability to constrain the riser's behavior in a particular region or issue area, retrenchment reduces the incentive for hostile risers to misrepresent. In the absence of constraints from the decliner, the rising state can revise the regional order at relatively low cost.

Retrenchment therefore makes it more likely that the benefits of immediate revision to a hostile type will outweigh its incentive to misrepresent, inducing the hostile riser to reveal its true type through non-cooperative behavior. In turn, because hostile types are likely to attempt revision in response to retrenchment, retrenchment allows truly benign rising states to credibly signal their intentions by refraining from revision and continuing to cooperate.

Identification of prevention and retrenchment as screening mechanisms yields novel benefits of these strategies that are absent from existing scholarship on these topics. While prevention has heretofore been seen exclusively as a means for declining states to reduce their future vulnerability given a fixed degree of uncertainty (Levy, 1987; Powell, 1996), retrenchment has been conceived of as a response to strategic overstretch, and a declining state's need to reallocate dwindling resources to core interests and away from less vital commitments it can no longer afford (Kennedy, 1987; Haynes, 2012; Parent and MacDonald, 2011; Posen, 2013). Thus, each of these strategies has been seen as a last resort to be adopted by desperate states from positions of weakness.

While not disputing these motivations for prevention and retrenchment, this study has shown that the valuable information they provide about rising states' intentions makes both strategies more attractive early in a power shift, when the declining state is still in a position of strength. In response to the credible signals that prevention and retrenchment elicit, the declining state can subsequently form more optimal foreign policies toward both benign and hostile rising states. One the one hand, by inducing hostile risers to reveal their incompatible goals through non-cooperative behavior, these screening mechanisms allow the decliner to preventively oppose hostile types early in the power shift, before they have grown too

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powerful. On the other hand, by increasing the credibility of cooperative signals, prevention and retrenchment allow the decliner to avoid the costs of unnecessary conflict with truly benign risers.

Yet although these strategies confer benefits on the decliner by allowing it to form more appropriate foreign policies toward rising states down the road, these benefits come at a cost. In the case of prevention, the declining state must bear the costs of conflict, or at least forgone opportunities for cooperation, that opposition entails. As such, the power shift game shows that, even under an extremely large PPS, the declining state's optimal response to cooperative signals is always a "hedging" strategy of limited prevention, rather than full containment or preventive war. In the case of retrenchment, the decliner must risk conceding immediate revision of the region of withdrawal, if the riser's intentions are actually hostile.

As a result of these tradeoffs, the models in this study show that prevention and retrenchment are only viable under certain conditions. Both strategies are more attractive the larger the size of the PPS: the baseline level of uncertainty about the risers future intentions is higher, and the decliner's future vulnerability is greater, making the information from credible signals more valuable. In addition, prevention is more likely to occur the lower the costs of immediate conflict. Retrenchment, on the other hand, is most likely to be undertaken when the region of retrenchment is of relatively low value to the declining state, but of high value to the riser.

One final theoretical contribution of this study is to demonstrate that rising states can often initiate conflict by attempting to revise the international order, in spite of their incentives to misrepresent. Several prominent theories of power shifts have claimed that wars during power transitions are almost always initi-

ated by declining states preventively, never by rising states, which should seek to avoid conflict. Yet these screening mechanisms increase the credibility of signal specifically by *reducing* the riser's incentive to misrepresent, and thereby inducing it to attempt revision immediately. In the power shift game, although the riser's revision is in response to the declining state's initial hedging strategy, that degree of limited prevention only escalates to severe conflict or war because the riser switches to a non-cooperative signal, prompting the decliner to escalate to full containment *defensively* rather than *preventively.* These cases are selected to collectively illustrate the mechanisms by which prevention and retrenchment each allow a declining state to accurately form positive beliefs in response to a benign riser's cooperative signals, and negatively update its beliefs by inducing hostile risers to exhibit non-cooperative signals.

The cases of American retrenchment from Eastern Europe and British retrenchment from the Western Hemisphere nicely illustrate the core hypotheses of the retrenchment game. Soviet behavior during WWII shows how retrenchment reduces the incentive for hostile rising states to misrepresent their intentions, thereby allowing the decliner to identify them and contain their growth. Because FDR convinced Stalin that the United States was unable and unwilling to oppose Soviet actions in Eastern Europe, Stalin believed he could revise the regional order at little to no cost. He therefore perceived little incentive to comply with US preferences in the Soviet sphere, and revealed hostile Soviet intentions for the broader international order by setting up communist-dominated governments and closed economic arrangements there.

Conversely, because retrenchment induces hostile risers to attempt revision, a rising state's continued cooperation in the face of retrenchment becomes more

credible as a signal of benign intentions. This hypothesis of the retrenchment game is supported by British retrenchment from the Western Hemisphere. Because British leaders were aware that a rising United States had strong incentives to refrain from regional revision in the presence of British power, US cooperation prior to 1898 had been dismissed as non-credible. However, after the reduction of Britain's relative capabilities in the West removed these constraints, US restraint in Latin America and East Asia had a powerful effect on British beliefs about US intentions.

Furthermore, the retrenchment game holds that early retrenchment provides valuable information that informs the declining state's subsequent foreign policy toward the rising state, and allows it to achieve more favorable outcomes in the future. This contrasts with existing theories of retrenchment, which treat it as a strategy that a decliner will adopt only after a power shift has already occurred - leaving the declining state substantially weakened in the present - rather than a strategy that the decliner might adopt prospectively, from a position of strength, before the power shift has progressed very far. In both of these cases the declining states, Britain and the US, retrenched relatively early in the power shift, soon after decline was recognized by British and American leaders, and well before either state had lost the capacity to sustain local superiority in the Western Hemisphere and Eastern Europe, respectively. As a result, Britain was able to achieve mutually beneficial cooperation with the rising United States against mercantilist powers in the 1900s, while the US was able to implement a strategy of containment toward the Soviets after WWII before the USSR had risen enough to achieve more extensive revision.

Finally, the retrenchment game predicts that retrenchment is more likely to

occur if the value of the regional order is asymmetrically low for the declining state relative to the rising state. The case studies bear this out. The Western Hemisphere was of far lower value to Britain in the 1890s than other regions, primarily the North Atlantic, the Mediterranean, and the Near East, whereas it was of primary importance to the United States. Likewise, the United States had virtually no immediate interests in Eastern Europe in the 1940s, while the Soviet Union considered its neighboring countries essential as economic partners, a security buffer, and a bridge for the spread of Soviet influence into Western Europe. Britain and the US were therefore willing to cede control of these regions to rising powers, despite the significant probability that it would result in unfavorable revision of the regional orders.

The Anglo-German case also lends strong support to the hypotheses of the power shift game. As the model predicts, Britain responded to the increasing PPS by hedging against Germany in the 1890s, despite their optimistic beliefs about German intentions, and their generally cooperative overall policy of "leaning" toward Germany. Britain refused to join the Triple Alliance and worked to improve relations with the Franco-Russian Dual Alliance that was actively balancing against Germany. Britain also blocked Germany's access to colonies, and began to implement competitive economic policies to counter Germany's increasingly competitive exports. When Bülow, Tirpitz and Kaiser Wilhelm II reoriented Germany's foreign policy in 1897 toward the immediate realization of a dominant navy and mercantilist empires on the Continent and overseas - thereby sending clearly non-cooperative signals - they explicitly attributed their decision to Britain's hedging strategy. Thus, as the power shift game predicts, prevention induced a hostile Germany to reveal its intentions, allowing British leaders to update their beliefs and escalate to a policy of containment after 1902.

However, American actions and beliefs in 1943 contradict the hypotheses of the power shift game. Instead of increasing their degree of hedging against the rising Soviet Union as its postwar prospects improved, Roosevelt and his advisors sought to reassure Stalin that the US would not contain the Soviets as long as they continued to cooperate. Moreover, after the Soviet Union resumed its cooperative behavior in response to US reassurance, American leaders saw these cooperative signals as credible, and positively updated their beliefs about Soviet intentions. Yet the power shift game predicts that in the absence of overt US opposition, cooperative Soviet signals should have been non-credible: reassurance should have dramatically increased the incentive for the rising Soviet Union to misrepresent its revisionist intentions, in order to avoid containment and continue to gain power for revision in the future. Thus, the fact that US policymakers found the cooperative Soviet signals credible, despite the absence of prevention, supports the optimist hypothesis that cooperative signals are credible regardless of the context in which they are sent.

Moreover, in none of the four cases was prevention or retrenchment undertaken for the purpose of gaining information about the rising state's intentions. British leaders gave no indication that their obstruction of German colonial acquisitions or their maintenance of a free hand in Europe to hedge against rising German power in the 1890s were intended to elicit credible signals from Germany. Rather, British leaders were reducing their future vulnerability to potential German revision, as the conventional wisdom regarding prevention holds. Britain's concurrent retrenchment from the Western Hemisphere was motivated by rising threats on the Continent, first from the Dual Alliance then from Germany, that threatened more important British interests in the Mediterranean and the North Sea, rather than a desire for information about US preferences. Likewise, FDR's retrenchment

from Eastern Europe was due to the low value of the region to the US, and his unwillingness to compete with Stalin for control over it, as well as a by-product of his attempts to reassure the Soviet leader that the US was not a threat to his security. Finally, in 1943, US leaders were so unaware of the informational benefits of limited prevention that they rejected the strategy altogether in favor of reassurance.

However, these *descriptive* failures of the theories underscore their *prescriptive* value. The power shift game and retrenchment game involve complex strategic interactions that produce novel insights, and reveal counterintuitive incentives that have not been previously identified - by scholars or policymakers. Being unaware of the informational benefits of prevention and retrenchment, British and American leaders did not include them in their initial decision calculi. However, those benefits can be observed *ex post*: in each case, following the implementation of prevention or retrenchment, the leaders in the declining state recognized the change in the credibility of the riser's signals, and updated their beliefs in response. Furthermore, these updated beliefs allowed them to form more optimal strategies toward the rising state, having reduced their uncertainty about its true intentions. As such, we can confidently claim that these leaders *should have* taken the informational benefits of prevention/retrenchment into account when formulating their initial strategies, and - particularly in the case of the US in 1943 - might have made better policy decisions had they been aware of the incentives identified in this study.

7.2 Implications for China's Rise and US Foreign Policy

The insights of the models not only allow us to retrospectively assess the decisions of policymakers in history, but more importantly, they hold prescriptive value for policymakers in the present. Indeed, the novel and counterintuitive findings power shift game and the retrenchment game have substantial implications for contemporary US foreign policy, particularly regarding China, which is projected to continue growing rapidly relative to the United States for the foreseeable future. Over the past three decades China has experienced unprecedented economic growth, averaging over 10% per annum since 1980. Today China continues to rise, averaging over 9% annual growth since the start of the global financial crisis, and becoming the world's second-largest economy in 2010 (Vincelette, et al., 2010; Bottelier, 2009; Wu, 2010, pp. 155–163). Indeed, its rise relative to the United States has if anything accelerated: the US economy has slowed to a crawl, while China is projected to sustain 7-8% growth for the remainder of the decade (Asian Development Bank, 2012, pp. 131-136; International Monetary Fund, 2012).

The key question China's rise poses to US foreign policymakers is the degree to which China will revise the international order in the future, once its rise is complete and it has acquired greater influence over issues that are important to the United States. Since the end of World War II, the United States has established and maintained a *liberal* international order (LIO) that is designed to promote US goals. These fundamental liberal goals are 1) an efficient international market economy free from state intervention, 2) international norms of human rights and democracy, and 3) proscription of territorial conquest and use of force without the consent of the international community (Ikenberry, 2001; 2011). If China intends to maintain the LIO as it rises, then a competitive, "hard-line" strategy toward

China produces unnecessary conflict, whereas a "soft-line" policy accommodating China's rise results in mutually-beneficial cooperation across a broad range of issues while still preserving the status quo order. However, if Chinese preferences are incompatible with the LIO, then the US must either increasingly compromise its interests or pay increasing costs to defend them as China's ability to revise the international system grows. In the latter case, China's rise would be threatening to the US, and might warrant a more US foreign policy in the present to forestall Chinese revision in the future. Such a strategy is likely to result in costly competition between the US and China, but is also more likely to maintain the international order in accordance with US preferences.

China's preferences regarding the international order could potentially diverge from the LIO on each of the economic, normative, and security dimensions. If China's "state capitalist" developmental model is more compatible with a neomercantilist economic order than a liberal one, or if China finds that the rules of the LIO regarding sovereignty and nonproliferation excessively constrain its national security and sovereignty goals, China could revise the international economic and security orders both by expanding its influence within existing institutions and by constructing alternative regional institutions that exclude the US.[1] China could also use its burgeoning "soft power" to replace liberal norms of human rights and democracy with values more congruent with China's authoritarian character and lamentable human rights record (Breslin, 2009; Kurlantzick, 2007).

Many scholars argue that by embedding China in the existing international or-

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[1]Bergsten, 2008; Bremmer, 2009; Wooldridge, 2012; Foot, 2006; Economy, 2010; Patrick, 2009; Chin and Thakur, 2011. A China-centric regional economic framework is emerging in Asia, in the form of the Asian Development Bank, ASEAN + 3, the China-ASEAN free trade area, and the Central Asia Regional Economic Cooperation Forum. China has also increased its influence over the international security order through the Shanghai Cooperation Organization and the ASEAN Regional Forum, and through its growing power within the UN and the NPT.

der through institutional membership and economic interdependence, the benefits that accrue to it will make the opportunity costs of revision prohibitively high, such that it would continue to support the status quo even if it inherently preferred an alternative order. It follows from this logic that the United States can and should continue to make China a "responsible stakeholder" in the status quo international order, so as to induce even a dissatisfied China to maintain the LIO as it becomes more powerful (Swaine, 2011, p. 338; Kang, 2007, p. 103; Lardy, 2007, p. 116; Christensen, 2011; Steinfeld, 2010). As John Ikenberry argues:

> China and other emerging great powers do not want to contest the basic rules and principles of the liberal international order; they wish to gain more authority and leadership within it...Brazil, China, and India have all become more prosperous and capable by operating inside the existing international order – benefiting from its rules, practices, and institutions, including the World Trade Organization (WTO) and the newly organized G-20. Their economic success and growing influence are tied to the liberal internationalist organization of world politics, and they have deep interests in preserving that system (Ikenberry, 2008).

Yet this assertion rests on the assumption that the goal of Chinese leaders is to maximize overall national prosperity, which may not be the case. China's authoritarian political elite has a variety of domestic goals that its foreign policy is designed to serve, foremost being to maintain their hold on power, but also to maximize the personal wealth of themselves and their patrons, and to achieve various nationalist/ideological ends.[2] Even if the LIO were optimal for China's national growth under China's "state capitalist" economic structure (which is not clear), integration into a global economy of free-market capitalism may jeopardize the Chinese Communist Party's hold on power by reducing the CCP's capacity to channel economic rents to key political patronage groups (e.g., state-controlled

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[2]See Friedberg, 2011, p. 161; Shirk, 2007, Chapter 3; Economy, 2010. On rent-seeking by authoritarian leaders, see Bueno de Mesquita, et al., 2003).

firms and bureaucracies), and empowering social classes and sectors that may push for political liberalization.[3] Furthermore, the non-economic dimensions of the LIO potentially threaten the CCP's domestic goals by imposing pressure for human rights and democratization, and inhibiting its satisfaction of domestic nationalism through military force.

Thus, the degree to which integrating China into the LIO is actually beneficial to the CCP elites who control foreign policy depends on a variety of domestic-level variables that determine China's basic preferences. However, China's foreign policymaking process is highly shielded from outside viewers, making it impossible to directly observe how domestic-level factors aggregate into foreign policy preferences (e.g., Swaine, 2011, pp. 43-45; Shirk, 2007, pp. 39-44). Furthermore, such a large number of actors and variables affect China's national foreign policy preferences, and the interactions among those variables are so complex, that it is exceedingly difficult to determine their net effects.[4] Therefore, because China's preferences for the international order cannot be confidently inferred from observations at the domestic level, credibility of China's international-level signals are of high value for inferring the compatibility of its preferences with the LIO.

However, scholarship on the rise of China lacks a set of objective criteria for determining the credibility of China's foreign policy actions as signals of its preferences for the international order. Indeed, the implicit assumptions that China scholars employ in inferring China's intentions are strikingly similar to the abstract logics of the optimist and pessimist signaling models.

"China optimists" consider China's cooperative behaviors (i.e., behaviors that

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[3]Yang, 2006. See also the essays in Dittmer Liu, 2006.

[4]Edelstein, 2002. Since the start of the reform era, China's foreign policymaking process has become increasingly complex. See the essays in Lampton, 2001.

are consistent with US preferences) to be credible signals that China is a "status quo" power that shares US preferences for a liberal order.[5] These signals include China's high degree of economic interdependence with the US and its allies, pursuit of peaceful negotiation of territorial disputes, and its wide participation in support for both regional and global institutions - including ASEAN + 3 (APT), the ASEAN Regional Forum (ARF), the Shanghai Cooperation Organization (SCO), the China-ASEAN Free Trade Area (CAFTA), the WTO, the IMF, the G20, and the Nuclear Proliferation Treaty (NPT) - as credible signals of China's compatible preferences for the LIO. Optimists thus infer that China's preferences are compatible with the LIO, and conclude that the risk of conflict between the US and China stems from misperceptions and distrust due to cognitive and cultural biases on each side. In order to diffuse these dangers, optimists advocate dialogues and other confidence-building measures, institutional socialization, benign rhetoric and the exercise of "soft-power", participation in regional security dialogues, and adoption of reassuring security rhetoric and cooperative policies that signal benign US intent.[6]

In contrast, China pessimists have concluded that China's cooperative behaviors in the present convey *no* information about its future intentions for the international order. Nicholas Khoo and Michael L.R. Smith assert in response to Shambaugh's characterization of China's cooperative behavior as a credible signal that "China is just practicing common sense and behaving itself until it is a more powerful and consolidated entity" (Khoo and Smith, 2005, p. 203). John Mearsheimer writes that "we cannot tell much about China's future behavior, because it has such limited capacity to act aggressively"(Mearsheimer, 2010, p. 385

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[5]Johnston, 2003; Deng, 2008; Legro, 2007; Shambaugh, 2005; Kang, 2007; Christensen, 2006; Swaine, 2011; Gill, 2007.

[6]Buzan, 2010; Glaser, 2010; Christensen, 2001; Swaine, 2011, pp. 47-48; Wang, 2011; Gill, 2007.

[emphasis his]). Christopher Layne concurs that "Beijing is pursuing a peaceful policy today in order to strengthen itself to confront the United States tomorrow" (Layne, 2008, p. 14). In accordance with the logic of the pessimist signaling model, these scholars conclude that because the US is vulnerable to revision by China in the future and at best uncertain about China's intentions, it retains a strong incentive to preventively employ a hard-line strategy toward China, even if China exhibits cooperative behavior.

Furthermore, China pessimists have identified several non-cooperative behaviors by China (those that are harmful to US preferences) that they have inferred are credible signals that China intends to revise the liberal order in favor of a neomercantilist one. These signals include China's intermittently belligerent rhetoric and actions, military modernization,[7] undervalued currency, large current-account surplus, ownership of US sovereign debt, and acquisitions of international firms and energy.[8] Indeed, China pessimists interpret China's increasing participation and leadership in international institutions not as a signal of its benign intentions, but an attempt to construct an alternative institutional order that will compete with the LIO and coopt other states away from the US-led order.[9]

Yet the empirical evidence in this study indicates that these actions are not credible signals of China's hostile intentions. First, some are not unambiguously non-cooperative: optimists cite China's institutional participation as a signal of its benign intentions. But in addition, even the non-cooperative behaviors are plausibly unrelated to the issues of importance to the US. In several of the cases

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[7]Sutter, 2006; Mearsheimer, 2010; Layne, 2008; Friedberg, 2011. For summaries of these positions, see Swaine, 2011, Chapter 4; Christensen, 2006, pp. 95-104.

[8]See e.g., Patrick, 2010; Bergsten, 2008. For reviews of this literature, see Swaine, 2010; Drezner, 2009; and Lardy, 2007.

[9]Khoo and Smith, 2005; Sutter, 2006; Friedberg, 2011. For a summary see Christensen, 2006, pp. 98-101.

in previous chapters, leaders in declining states did not update their beliefs in response to behaviors they saw as harmful to their interests (i.e., non-cooperative), because those behaviors were likely not indicative of the riser's broader goals for the international order, or were driven by the riser's goals on issues that were unimportant to the decliner and therefore unlikely to be repeated in the future. For example, British leaders initially did not negatively update their beliefs about German intentions in response to the Navy Laws of 1898 and 1900 because the German navy could have many purposes that the British considered legitimate - i.e., counterbalancing France and Russia, policing its overseas possessions, and protecting commerce. Only after the nature of the German fleet made it apparent after 1901 that it was not intended for these purposes, and was instead directed at Britain, did British leaders update in response. Likewise, during WWII, Stalin's demands for territory in Eastern Europe, a "friendly" government in Poland, and reparations from Germany did not initially alarm US leaders because they attributed those claims to Soviet insecurity, first from Germany, then Britain and themselves.

Similarly, China's intermittent provocations over Taiwan or its patronage of North Korea are not clear signals that China is dissatisfied with the broader international order, but are likely a reflection of Taiwan's and Korea's central place in the Chinese national identity, and the unique importance of their status for the CCP's domestic legitimacy.[10] China's military buildup and its increasing influence in multilateral institutions may be intended to challenge US power and construct an alternative regional order, as pessimists claim, but both could also be intended to increase China's capacity to provide public goods to maintain and enhance the LIO - hence, the optimist interpretation of China's institutional integration as

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[10]On Taiwan, see Shirk, 2007, pp. 185-187; Deng, 2008, pp. 255-258. On Korea, see Goldstein, 2006.

a signal of China's benign intentions. China's military buildup could also serve other ends unrelated to its preferences for the international order, e.g. deterring Taiwanese independence (Christensen, 2001), hedging against fears of Japanese remilitarization or US aggression (Christensen, 1999; Wang, 2011; Foot, 2006), and channeling rents to the army (Shirk, 2007).

As implied above, one reason that a signal may not be informative is because it is likely declining state. It follows then that the more clearly and directly related the rising state's behavior is to the issues of primary concern to the declining state, and the fewer plausible alternative motivations for that behavior, the more credible a signal it is of the compatibility of the rising state's preferences. In the case of US-China relations, China's intentions regarding the shape of the international order are of primary concern to the United States. Therefore, the most credible signals of China's preferences are actions that directly impact the rules of the international order. This includes efforts to reform existing institutions, such as the UN or IMF, or the creation of new regional institutions, such as the SCO or CAFTA. To the extent that such initiatives complement (contravene) the existing order, they indicate China's compatible (incompatible) preferences. On the other hand, behaviors like those cited above - saber-rattling over Taiwan, disputes over specific tariffs, and modernization of the Chinese military - which are plausibly motivated by China's goals on other issues of low salience to the US - e.g., China's idiosyncratic historical rivalries, isolated sectoral interests, or concerns about energy security - are relatively weak signals of China's future intentions for the international order.[11]

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[11]On the role of nationalism and rivalries with Taiwan and Japan in Chinese foreign policy, see Shirk, 2007; and Deng, 2008. On the surmountability of individual trade disputes, see Steinfeld, 2010. On the role of energy security as a motivation in Chinese foreign policy, see Brock Tessman and Wojtek Wolfe, 2011.

However, the theoretical findings of this study also indicate that the credibility of the cooperative signals that China optimists have identified depends on the context in which they have been sent. Because China, as a rising state, has a strong incentive to misrepresent its incompatible preferences, China pessimists are correct that its cooperative signals cannot be taken at face value. As Avery Goldstein and others have shown, China's mid-1990s turn toward a "Bismarckian" strategy of broad-based cooperation within the LIO was driven by the CCP's growing awareness of apprehension and emerging balancing behavior from the international community in response to China's rise (Goldstein, 2005; Deng Yong, 2006; Foot, 2006; Medeiros, 2009; Breslin, 2009). Thus, China's incentive to misrepresent makes it difficult to distinguish whether its cooperative behaviors reflect its true preferences for the international order, or whether its present behavior is induced by the transient constraints of the international system and will become less cooperative in the future (Sutter, 2006; Breslin, 2009, pp. 819-821; Foot, 2006, p. 88; Mearsheimer, 2010, pp. 384-385; Khoo and Smith, 2005).

The power shift game and retrenchment game indicate that China's cooperative signals are most credible when taken under low external constraints, or in the face of preventive opposition by the Untied States (and/or other rich countries in decline relative to China). All else equal, then, China's cooperation with the LIO is a more credible signal in contexts where US capacity or will to oppose revision are low. This is the case regarding Asian institutions in which the US has little or no influence - such as ASEAN + 3 - and in regions of low immediate importance to the US, e.g., Africa or Central Asia.[12] On the other hand, China's compliance with the LIO on the status of Taiwan or the rules of global economic institutions

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[12]Importantly, although these regions themselves may be of low importance to the US, China's behavior regarding these regional orders is a good indicator of China's preferences for the international order in other contexts.

is likely induced by the immediate presence of US power and high US resolve, and therefore is a less-credible signal of China's underlying preferences. Likewise, China's participation in US-led economic institutions and provision of public goods to support the LIO is a more credible signal of China's benign intentions in the face of hard-line US policies - such as tariff barriers against Chinese goods or exclusion of China from participation in multilateral institutions - than those same cooperative actions are in the context of an accommodating US strategy.

So far, the context in which China's cooperative signals have been sent has not been conducive to their credibility. The conventional wisdom among American policymakers and academics alike has been that US policy toward China should involve a mix of engagement - what I have referred to as accommodation - and *deterrence* (which is confusingly often referred to as containment in the China literature). Deterrence is generally defined in terms of various forms of negative inducement to constrain China's behavior; contingent threats to impose costs on China if it attempts revision of the international order (Kang, 2007; Christensen, 2006; Friedberg, 2011; Goldstein, 2005; Medeiros, 2009; Gill, 2007; Sutter, 2010). This may take form of arms buildups that increase the US capacity to impose military costs on China, or threat of economic or political sanctions that could potentially deny China access to capital, markets, goods, resources, or the benefits of multilateral cooperation. Conversely, engagement involves positive material inducements that are intended to constrain China from revising the international order by raising its opportunity costs of doing so (Ikenberry, 2008; Kirshner, 2012; Friedberg, 2011, pp. 88-119, 255-261; Swaine, 2011; pp. 29-30; Christensen, 2006). This includes increasing China's benefits from participation in the global capitalist economy and institutionalizing cooperation to reduce China's fears that its economic dependence will be exploited. However, by increasing both the positive and

negative constraints China's behavior, a strategy that combines engagement and deterrence increases China's incentive to misrepresent and reduces the credibility of China's cooperative signals.

Furthermore, as long as China behaves cooperatively, neither engagement nor deterrence does anything to stem China's increasing relative power. Engagement increases China's power by design, in order to socialize China and raise its opportunity costs for revision. Deterrence is often mischaracterized as a preventive strategy, because it involves increasing the immediate US capacity to sanction Chinese transgressions. However, although deterrence increases US capabilities vis-a-vis China in the short term, it requires the US to expend resources to maintain credible military and economic deterrents, which accelerates China's rise in the long term. Deterrence can only inhibit China's rise if China were to trigger these latent deterrent threats through overtly competitive behavior - it does nothing to stem the rise of an incompatible China that misrepresents its preferences by behaving cooperatively. By accelerating China's rise, instead of preventing it, an engagement/deterrence strategy exacerbates China's incentive to misrepresent, since it stands to gain even more power in the future if it cooperates. Thus, a mix of engagement and containment simultaneously *increases* the constraints over China's behavior, while *decreasing* the US capacity to prevent China's rise - the opposite of the prescriptions of the power shift game and retrenchment game for eliciting credible cooperative signals.

This strategy has been manifested in recent US foreign policy. Since 2009, the Obama administration has undertaken a program of strategic rebalancing (the "pivot") toward East Asia, which has increased the American military and economic presence in the region. The US has reinforced its regional security com-

mitments, including support for its allies' maritime claims against China, arms sales to Taiwan, troop deployments in Australia, enhanced bases in Guam and the Philippines, and an emphasis on military tactics to counter China's "anti-access" capabilities. The US has also increased its involvement in regional institutions, such as the ASEAN Regional Forum and the East Asia Summit, thereby increasing its capacity to constrain China's behavior (Clinton, 2011; Steinberg, et al., 2012). At the same time, the US continues unrestricted economic cooperation with China, that - although highly beneficial to both states in absolute terms - asymmetrically advantages China, particularly given the interventionist economic policies of the Chinese government under the "state capitalist" model.

In contrast, the retrenchment game suggests that drawing down its presence in Asia might give the United States valuable insights into China's future intentions, by giving China the freedom to shape its local order in accordance with its own preferences. This is particularly true regarding relatively minor issues to the US, such as the maritime disputes in the South China Sea, or perhaps even Taiwanese independence. While these issues are of vital importance to China, for the US the costs of unfavorable revisions may be outweighed by the value of learning how China is likely to behave on other, more important issues as it gains power and influence globally. Thus, selectively reducing the US military presence in Asia and ceding greater responsibility to China for regional governance would benefit the US beyond simply reducing expenditures.

The power shift game prescribes a preventive strategy would serve as a screening mechanism to increase the credibility of China's cooperative signals. However, many scholars of US-China relations have claimed that a preventive strategy toward China is non-viable. Jonathan Kirshner writes that it is "likely that the

US simply does not have the capability to inhibit China's rise...the effort to slow China's rise would backfire for three reasons: it would be very costly, it would seriously harm America's international political position, and it would make China much more dangerous" (Kirshner, 2012, Lampton, 2008). Others emphasize that zero-sum competition for power with China would be counterproductive, alienating regional actors that value cooperation with both the US and China, and exacerbating, rather than ameliorating US decline as these states align themselves with the less-aggressive China (Christensen, 2006; Shambaugh, 2005; Medeiros, 2009; Lampton, 2010).

These scholars reject prevention because they conceive of it as negative-sum - that is, a strategy that produces outcomes in which both the US and China lose in absolute terms, with the objective that China loses more. Such policies certainly exist: protectionist trade policies, resource hoarding, currency wars, competing political alignments, arms races and even armed conflict are all examples. However, prevention is simply a relative gains-increasing strategy, in which the declining state enacts policies that mitigate the rising state's power trajectory. Preventive policies can therefore lead to positive-sum outcomes, in which the US and China both gain in absolute terms, but the US gains more. In other words, prevention includes mutually-beneficial cooperation, but on terms that favor the US. This "positive-sum prevention" remains distinct from engagement, in that a pure engagement strategy entails pursuing every opportunity for cooperation that increases absolute gains, rather than conditioning its cooperation on a favorable distribution of benefits as in positive-sum prevention.

The US can employ several kinds of positive-sum preventive policies. One is to spearhead the construction of new institutions, such as the Trans-Pacific Part-

nership, FTAs with South Korea, ASEAN, or the entire Asian region.[13] Even the formation of institutions that do not include China could benefit China indirectly by increasing the prosperity and security of its neighbors, thereby reducing security dilemmas and facilitating more lucrative economic cooperation with those countries that China most frequently interacts with. However, by taking the initiative to establish regional institutions with third-parties, the US can achieve "agenda-setting power" that would allow it to increase its regional influence relative to China (should China decline to participate), or to persuade China to cooperate on terms that confer relative benefits on the US.[14] Furthermore, this is not simply an absolute gains-maximizing strategy: the US would sacrifice some absolute gains by providing public goods and making other concessions to smaller Asian states, in order to convince them to agree to US terms of cooperation and increased dependence on the US.

Prevention and retrenchment are also not mutually exclusive. The US can simultaneously remove constraints over China's immediate behavior *and* slow the rate of China's relative rise by making China a "stakeholder" in the international system, expanding its role in international institutions and giving it greater influence and responsibility for global governance (Christensen, 2010, p. 66; Wang, 2011, p. 78.). Although granting China greater responsibility for global governance would increase China's capacity to revise the LIO in the short term, only an incompatible China would take advantage of this opportunity to the detriment of the US. If China were instead willing to bear costs to sustain the LIO, it would

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[13]The US Congress ratified an FTA with South Korea in March, 2012. In 2006 the US signed the Trade and Investment Framework Agreement with ASEAN and in 2010 proposed a region-wide Free-Trade Agreement of the Asia Pacific, though negotiations are in incipient stages.

[14]On the bargaining leverage that actors gain by establishing institutions as a fait accompli, see Gruber, 2000. Terms of economic cooperation that would favor the US might include reinforcing the dollar as the international unit of exchange, proscribing subsidies, tariffs and other forms of state intervention in the market that China would otherwise employ, and strict standards and conditions on financial and trade agreements. See e.g., Bergsten, 2008.

constitute a credible signal that its preferences are truly compatible with the status quo, while still allowing China to gain the positive-sum benefits of cooperation under the LIO. In addition, bearing the costs of maintaining the liberal order would slow China's rise relative to the US and reduce its capacity for revision in the long term.

Similarly, on many issues the US and China have overlapping preferences for outcomes but disagree on which party should bear greater responsibility for providing the public goods necessary to realize them, including climate change, terrorism, North Korean nuclearization, and the health of the global financial system. Under a pure engagement strategy, the US would simply bear the lion's share of the costs and reap the absolute benefits of the public good immediately. Under positive-sum prevention, in contrast, the US might delay resolution of the problem or employ positive or negative inducements (thereby sacrificing some absolute gains), in order to secure a bargain in which China bears proportionally greater costs of providing these public goods. Although both states would ultimately gain, the US would retain a greater proportion of the benefits. By competing more vigorously over the distribution of benefits from cooperation - e.g. by retaliating against Chinese IPR violations - the US is more likely to get equitable terms of cooperation from a China that is satisfied with the status quo order and wants to sustain cooperation even on less asymmetrically favorable terms, than it is from a hostile China that is seeking relative gains from cooperation that will allow it to revise in the future. The hostile type is more likely to instead forgo cooperation, if it cannot get terms that increase its rise relative to the US.

Some aspects of contemporary US foreign policy are consistent with positive-sum prevention. The US has taken initiatives - such as expansion of the Trans-

Pacific Partnership, invigoration of the Asia-Pacific Economic Cooperation forum, ratification of the US-Korea FTA, and proposal of an Asia-Pacific FTA - to promote greater economic cooperation in the region, while maintaining relatively strict conditions for participation. These policies are consistent with a positive-sum preventive strategy, in that they increase US economic gains and influence in the region relative to China, while eliciting signals of China's preferences by testing its willingness to participate in regional economic cooperation on US terms.

Although many preventive tactics - such as war - are clearly prohibitively costly, more moderate, positive-sum policies that emphasize US relative gains vis-à-vis China are highly valuable in a context of uncertainty about China's future intentions. By inhibiting the growth of China's power, prevention reduces the incentive for an incompatible China to misrepresent, thereby making China's cooperative behavior more informative to the US that China's intentions are compatible. Counterintutively, then, a preventive strategy in the short-term may reduce uncertainty and allow the US to achieve more cooperative relations with China in the long run.

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