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The relationship between economics and politics...is a reciprocal one. On the one hand, politics largely determines the framework of economic activity and channels it in directions intended to serve the interests of dominant groups; the exercise of power in all its forms is a major determinant of the nature of an economic system. On the other hand, the economic process itself tends to redistribute power and wealth; it transforms the power relationships among groups.

ROBERT GILPIN, *U.S. POWER AND THE MULTINATIONAL CORPORATION*

Why does war recur? The field of international relations has remained preoccupied with this question since its genesis. This preoccupation is well-justified. Warfare's costs – measured in lives lost, property destroyed, and productive resources reallocated – are immense (Lacina and Gleditsch 2005; Coe 2011). Wars also reshape the international political order, redistributing political power and economic resources among states and affecting the material welfare of belligerents and non-belligerents alike (Gilpin 1981). The Second World War, for example, not only revealed mankind's destructive potential but also shaped the world that came after it, dividing it into distinct political orders and circumscribing the opportunities available to those living within each for decades thereafter (Ikenberry 2011).

Contemporary international relations theory conceptualizes war as an outcome of a bargaining process between governments (Schelling 1960; Fearon 1995). Wars recur because of *bargaining frictions*, information asymmetries or time consistency problems, that prevent the governments from finding a peaceful resolution to the conflict at hand. Diagnosing the cause of a given war requires identifying the bargaining friction that prevented the belligerents from settling their dispute peacefully (Lake 2010). Systematic variation in the intensity of these bargaining frictions explains variation in governments' propensity to experience war (Lemke and Werner 1996; Schultz 1999; Reed 2003; Reed et al. 2008).

The bargaining model is agnostic on the ends governments seek in international bargaining interactions. The existence of some conflict of interest, a disagreement about optimal joint behavior, is assumed by the model. Territory, or some other rival good, is often assumed to be the object of contention between governments. Yet states often forgo the opportunity to seize territory, even when doing so is costless (Schultz and Goemans 2019). This "territorial peace" (Gibler and Tir 2014) has not obviated international conflicts of interest. Diplomats remain engaged with one another on issues of trade, investment, monetary policy, and migration due to the externalities that governments' actions in these issue areas impose on other governments. Contemporary U.S.-China relations are plagued by hostility and the spectre of war between the two countries structures defense planning on both sides of the Pacific Ocean. However, neither Beijing nor Washington makes claims on the other's territory. Despite this territorial peace, conflicts over commercial policy, manifesting in a trade war in 2018, complicate Sino-U.S. diplomatic rapprochement.¹

Negotiations over such economic issues are often relegated practically and analytically to the realm of "low politics." Ministries of foreign affairs maintain separate offices for the "high" political issues of territorial integrity and national security and the "low" political issues of international economics. The scholarly field of international relations enforces a division of labor between Security Studies and International Political Economy (IPE). These divisions suggest that high and low politics are largely separable – negotiations over trade, investment, monetary, and migration policy depend little on arms and military alliances.

The primary purpose of this dissertation is to demonstrate theoretically and empirically that the analytical distinction between high and low politics is unproductive. I provide a framework to study how international power politics affects the international economy and how conflicts of interest over economic policy affect states' propensity to fight wars with one another. High and low politics are inextricably intertwined.

I focus my attention on trade policy conflicts of interest in particular. There are practical and substantive reasons for doing so. Practically, dramatic advances in empirical trade economics have enabled researchers to study the effects of counterfactual trade policy regimes. I use these tools to measure the magnitude of

¹Taplin, Nathaniel. "Meet the New Trade War. It's Not the Same as the Old Trade War." *The Wall Street Journal*. 7 May 2020.

aggregate trade policy distortions and rationalize their emergence as the outcome of a coercive bargaining process between governments. Substantively, patterns of international economic exchange dramatically affect human welfare. Aforementioned empirical trade models suggest that, for the average country, international exchange increases consumer welfare between 4 and 40 percent, relative to global autarky (Costinot and Rodríguez-Clare 2015). Perhaps more importantly, trade policy dramatically affects the distribution of welfare across individuals and firms within the same country (Autor, Dorn, and Hanson 2013; Fajgelbaum and Khandelwal 2016; Waugh 2019; Caliendo, Dvorkin, and Parro 2019). As a result, commercial policy at home and abroad attracts the attention of special interest groups, which seek to influence governments' policy choices (Mayer 1984; Rogowski 1987; Grossman and Helpman 1994; Osgood 2016; Kim 2017; Gulotty 2020). For firms and individuals alike, trade policy can be an existential question. Burgess and Donaldson (2010) document a relationship between trade costs and the prevalence of famine. For firms, tariff liberalizations affect the probability of market exit (Baggs 2005). The stakes of trade policy are high.

The "Wisconsin School" of diplomatic history places the domestic and international distributional effects of trade policy at the center of an account of U.S. foreign policy from the late 19th century through the Cold War (Williams 1959; LaFeber 1963; McCormick 1967; Fordham 1998, 2019). American foreign policy – the arms it procured and the wars it prosecuted – was designed largely to ensure U.S. trade policy autonomy against foreign influence or open markets abroad. Those influencing and crafting U.S. foreign policy did so at the behest of economic interests that stood to benefit from protectionist tariffs or reductions in barriers to enter foreign markets. Foreign policy served the ends of a broader commercial policy. Different combinations of organized interests enjoy access to governments outside the United States, but trade policy shapes their welfare in much the same way. Lake (2014) argues that the trade policy orientations of dominant interest groups in the United States and China will determine the tenor of Sino-U.S. relations in the 21st century.

Channeled through political institutions, economic interests affect foreign policy (Lake 2009). Governments' joint foreign policies in turn shape the international economy. The victors of World War II exploited their military position to impose rival sets of economic institutions, rules governing international trade, on other governments within their political orbits (McKenzie 2008). These economic institutions shaped the flow of world trade throughout the Cold War and the development prospects of the economies embedded within each regime (Gowa and Mansfield 1993).

The dissertation's first chapter connects low politics to high politics theoretically. I build a model of "gunboat diplomacy" in which wars can be fought in order to open markets abroad. Political economic incentives affect governments' incentives to fight wars – governments that place greater weight on firm profits relative to consumer welfare are more belligerent in their foreign policy orientation. Even when peace prevails, the shadow of military power affects trade policy. Militarily powerful governments need not succumb to foreign threats, resulting in more protectionist trade policies. The high politics of coercive diplomacy affects trade policy. The low politics of market access affects governments' incentives to prosecute wars.

Connecting high and low politics empirically requires first operationalizing the explicandum – trade policy. Tariffs levels are widely used as a measure of protectionism, but tariffs are but one method through which governments distort the flow of trade. In the dissertation's second chapter, I produce estimates of the magnitude of aggregate policy-induced trade distortions between pairs of countries. This measurement exercise involves developing a model of the international economy that connects latent trade policy distortions to cross-national price levels, trade flows, and freight costs between pairs of countries. With data on the latter quantities, the model can be used to quantify the magnitude of latent trade policy frictions. I find that policy barriers to trade are an order of magnitude larger than tariffs in *ad valorem* terms on average, and that market access conditions vary dramatically across the sample of countries studied. A subset of developed countries enjoy far lower barriers to their exports than do their developing peers.

I proceed to measure empirically the exercise of military power in international relations and quantify its effects on the international economy in the dissertation's final chapter. To borrow the definition of Dahl (1957), a government has power over another to the extent that it can get that government to do something it otherwise would not do. Attributing trade policy to the exercise of power requires knowledge of this counterfactual – what policy would the government enact in power's absence? Liberal trade policies might reflect domestic political economic incentives for openness. Alternatively, they may reflect the military

constraints of the anarchic international system. To disentangle these competing explanations, I model observed trade policies as the outcome of an N -country coercive bargaining game. Trade policy favoritism – which countries are granted preferential market access – identify parameters governing the costs of war. I find that military power confers bargaining advantage by reducing the costs of war, promoting trade liberalization. In the aggregate, military coercion increases the value of global trade by 63 percent.

Calculating this change in the value of global trade requires conducting a counterfactual experiment, asking the model what would happen if coercion was impossible. Once estimated, the model allows me to answer this question and many others that empirically connect high and low politics. How would changing governments' underlying preferences for protectionism affect the probability of war? How would changing the distribution of military power in the international system affect trade policy and the international economy?

Answering these questions using quasi-experimental methods would be extremely challenging. Random variation in governments' preferences or military capabilities is difficult to come by. Even where such variation exists, the local effects of this variation may not generalize globally. My approach to these questions relies on theory to fill in gaps in the data. Taking this approach means that the answers I give to these questions take on a conditional form. If the assumptions embedded in the model obtain, then changes to model primitives (power or preferences) can be connected to changes in model output (trade policy and trade flows). This “structural” econometric approach has the virtue of transparency. Other researchers can examine the predictions made by my model, evaluate their fidelity to the data, and compare them to the predictions of alternative models. This process may highlight new empirical puzzles and shortcomings of existing theories, furthering the collective scholarly process of aligning theory and data.

War remains a rare event in contemporary international politics. However, as relations between the world's largest economies (China and the United States) demonstrate, antagonistic and militarized international relations persist. While governments actively design institutions to manage these conflicts short of war, our existing understanding of international conflict highlights how fragile such arrangements are – small changes to governments' information sets or their expected future strengths can trigger war. Achieving “perpetual peace” requires not only eliminating warfare, but the abolition of standing armies and international agreements that entertain the possibility of future conflict. In other words, achieving the Kantian ideal requires the elimination of conflicts of interest. Clearly, the peace we enjoy in the 21st century remains far from this Kantian ideal. This dissertation studies the conflicts of interest that undergird international antagonisms, in hopes of progress toward understanding the conditions that encourage their termination.

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