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Introduction

WHY DO COUNTRIES do what they do in their dealings with other states? That question is at the heart of much of the discourse and analysis that has been focused on international relations, and it is the question we seek to answer in this book. Answers to that question can be fruitful, and we see these answers as having four applications. The first regards individual policies that states choose and is typically the focus of much of the work on international behavior. Valuable work has been done, for instance, on why states choose to start wars, wars that may kill millions of people. Why do states impose sanctions that may inflict suffering on the innocent citizens of another state? Why do states make alliances? These types of questions address the issues that most directly affect all of our lives and pique the interests of scholars and policymakers. As a research community, we have spent centuries investigating questions like these, and while we now know a great deal about the causes of such behaviors, much more remains to be learned.

The second application is about the relationship between a state's policies in a specific situation or at a specific time. Policies are tools that states use to get what they want. Why do states choose particular policies? For instance, why might a state choose to impose sanctions on another state instead of attacking it? Why might a state increase its foreign aid allocation and simultaneously decrease its military spending? Why might a state break an alliance with another country and decrease its trade barriers with it? All foreign policy actions are a matter of the choices made by the leaders of states (or nonstate organizations). These leaders often have several options for dealing with any particular issue, and we would like to know what influences the particular choices they make.

The third application is relevant to choices leaders make between similar sets of policies in different situations. The United States, to take an example, is friendly with Denmark and Israel, states with about the same population and with similar levels of wealth.[1] The United States, however, has a formal military alliance with Denmark but not with Israel, and gives Denmark no foreign aid while Israel receives approximately $3 billion from the United States annually. Why do these differences in policies exist? In many instances the answer to this question might appear obvious. That does not relieve us of the necessity of

[1] According to the CIA's *World Factbook 2002*, Denmark has a population of about 5.4 million with a GDP per capita of $28,000. Israel has about 6 million people and its GDP per capita is about $20,000 http://www.cia.gov/cia/publications.

developing systematic and generalizable explanations for such observations. An explanation based only on size, wealth, and amity would not be able to explain the differences in U.S. policy toward Denmark and Israel.

The final application is to provide an understanding about the relationships among policies. For instance, should a leader decide to use sanctions as an instrument of her state's foreign policy, does that imply that the frequency of conflict will subsequently diminish? Does joining an alliance lead to an increase or a decrease in defense spending? To understand the relationship between and among policies requires that we understand why states pursue their policies, which in turn should help us understand foreign policy substitutability. In this book we will offer an approach to the study of foreign policy that provides answers relating to all four applications.

We try to answer the first question posed in this chapter above by doing three things in our analysis that are uncommon in approaches to the study of international relations. First, we view states' actions as components of portfolios, which consist of all their foreign policy behaviors. We do not focus exclusively on conflict behavior, or trade policy, or foreign aid allocations as discrete policies that can be discussed and analyzed without reference to other policies, though our theory has things to say about those separate policies. Instead, we see a state constructing bundles of policies—what we will call portfolios—that, in combination, are designed to achieve things—outcomes—that the state wants. Second, we adopt a general perspective of foreign policy that is designed to apply to all states at all times. Our focus is on a few independent variables and their general effects. While the main focus of the theory is not on explaining, for instance, German foreign policy in the interwar years or American foreign policy during the cold war, we will demonstrate that our theory can be applied to the policies of specific countries. Third, contrary to much theorizing about international relations, we assume that states pursue two general goals through their foreign policies. Typically, international relations theorists argue that states can be analyzed as if they want one thing only—greater security. We will assume that states want to protect things that they value and that they will try to alter things in the international systems they do not like. Since the ability of any state, no matter how powerful, to accomplish what it wants is limited, leaders have to make choices. Leaders have to decide whether they want to protect something they like or attempt to bring about a change in some situation to conform more to their preferences. And it is this choice that we seek to understand and explain in this volume.

The theory presented here is based on a relatively simple formal model. Since many readers might be put off by the technical presentation of the model, we delay that until chapter 5. We introduce the reader to the concepts and general argument of the theory in the next chapter, in which we present a nonmathematical version of the two-good theory more fully. There, we will ask the reader to think about international relations differently from other

approaches. So that we may start that presentation cleanly, we use this chapter, first, to introduce the idea of the foreign policy portfolio, that set of policies a state adopts to meet its foreign policy objectives. Changes in a state's foreign policy portfolio represent the key factor that is to be explained by our theory. Second, of course, we want to outline the particulars of the two-good theory and present the main assumptions we make. Our third task in this chapter is to highlight the elements of our approach that distinguish it from other, more traditional theories of international relations.

Foreign Policy Portfolios

One of the central axioms of the two-good theory that separates it from other ways of thinking about international relations is the belief that a state's foreign policy behaviors, the individual policies a state adopts in pursuit of its interests, should be viewed as a bundle of policies. States, in other words, create their foreign policy portfolios to achieve the things that they want, given existing constraints.

Consider some of the actions the United States has taken within the last ten years or so in its dealings with other states:

- During much of the 1990s the United States supported expanding the North Atlantic Treaty Organization (NATO) by admitting states that had previously been members of the Warsaw Pact. This support was essential to the success of the negotiations that resulted in Poland, the Czech Republic, and Hungary joining NATO on March 12, 1999.
- On April 2, 1996, Secretary of Defense William Perry reported that Libya was constructing an underground chemical weapons facility and warned that the United States would use force, if necessary, to halt construction rather than allow the plant to operate. Libya halted work on the facility immediately, and after diplomatic intercession by Hosni Mubarak of Egypt, Libya agreed not to resume construction.
- On April 30, 2001, the United States announced a major arms deal with Taiwan. The United States agreed to sell Taiwan four Kidd class destroyers, twelve P3 Orion anti-submarine planes, and eight diesel submarines.
- In the spring of 2001, the United States reversed its long-held opposition to allowing the People's Republic of China to join the World Trade Organization (WTO). On November 10, 2001, the WTO welcomed China as a member.
- On January 5, 2002, the United States announced that it would not bail Argentina out of its financial crisis; the United States said it wanted to avoid being a "financial firefighter." Argentine President Eduardo Duhalde placed blame for Argentina's situation on the American economic model, pushed by Washington, which stressed deregulation and decentralization. On January 15, President Bush

warned Argentina not to use its difficulties as an excuse to back down from its free-market reforms. On January 31, the United States cut foreign aid to Argentina because, in the words of Treasury Secretary Paul O'Neill, "it just didn't reform."

- On January 14, 2002, the United States and the Philippines prepared for joint military operations against Abu Sayyaf, an extremist Muslim group with links to Al Qaeda. A plan was agreed to by the two countries whereby 650 U.S. military personnel were to be sent to the Philippines within weeks.
- On April 11, 2003, the U.S. government announced that it had reached a settlement with the New York Yankees, in which the baseball team would pay a penalty of $75,000 for violating U.S. economic sanctions against Cuba by negotiating a contract with a Cuban baseball player.

We chose these actions not because they are exceptional but because they are ordinary and constitute good examples of the elements that make up a foreign policy portfolio. Represented among these actions are issues of alliance politics, decisions about foreign aid, matters of trade policy, and steps to enforce a longstanding embargo. Some of the actions are relatively routine or undertaken by officials not at the top of the bureaucratic hierarchy, while others represent decisions made by U.S. leaders. The targets of the actions include states friendly to the United States as well as adversaries. In other words, they reflect the range of actions that a major state can be expected to take in pursuit of its interests during any particular period.

These actions are elements of the American foreign policy portfolio. The United States chose the policies (and others not included here) from among all actions available to it in order to create the most desirable set of international arrangements under the circumstances. Several things are implied by that. First, this means that the United States wanted to change some things in the world that it does not like, such as the regime in Cuba. Other actions, such as the arms deal with Taiwan, were meant to reinforce an existing outcome. The United States, we assume, has preferences and it attempts to realize those preferences through its actions.

A second implication is that these actions all used resources: some required time to reach a decision or to carry out that decision; some needed money; some the extension of U.S. security guarantees; and some the dispersion of military personnel into dangerous places. But none of the acts is free and without cost. If the United States, or any actor, is rational, before undertaking an action it must decide that spending limited resources on a particular policy is a good idea. This means that the actor must determine that two things are true. For the United States—or any actor—to do something, it must decide, first, that the expected benefits of undertaking the action surpass the direct expected costs of the action: the expected value must be greater than the transaction costs. If the costs are greater than the benefits, the actor is better off not

adopting the policy and presumably the action would not be selected. The United States prepared to send the 650 troops to the Philippines because it expected a benefit from doing so, and that benefit was greater than the costs in money and threat to lives that sending the troops to the Philippines would entail. A second necessary condition is that the expected benefits of the action be greater than the opportunity costs. That is, the United States—or any actor—places its limited resources into one particular policy, P, rather than putting them into any other policy or policies because its expected return is greatest for policy P. The policy chosen is the most efficient one available at the time for achieving the actor's goals. The United States decided to send its 650 troops to the Philippines, not to Cuba.

The third implication is that we see states as selecting from the menu of available policies the bundle of policies that best suits their needs and goals at a particular time, given their preferences and constraints. Much as an individual consumes a bundle of goods designed to satisfy a range of wants—subject to the limits of the individual's wealth—states adopt policy portfolios to maximize the utility they derive from the world political environment, subject to the constraints imposed by their limited resources and the international system.

Throughout much of this work we will be analyzing foreign policy behavior as a portfolio of policies. In approaching matters this way, we can represent a state's foreign policy as an identifiable point in a two-dimensional space. (Those two dimensions will be defined as we progress.) This allows us to generalize about foreign policy behavior across states and across time. This is critical to our work; we want to look at the effects of changes in environmental factors—an increase in state capability, for example—on various aspects of state behavior so that we can analyze a large number of states simultaneously. More important, we want to say things about how changes in resources given over to one policy are likely to affect the resources given over to another policy. We also want to address the issue of how portfolios might be expected to change if the goals of the state change.

This view of policies making up a portfolio admittedly is an abstraction, but it is an abstraction with which most of us are familiar. It is common for states' foreign policies to be described and analyzed as if they had one purpose motivating them, such that the elements of the policy were tied together, reinforcing and interdependent—that is, as if they were portfolios. During the cold war, the underlying purpose of American foreign policy was held to be the containment of Soviet influence. Elements of that policy included the formation of NATO, allocation of foreign aid to the militaries of friendly states, participation in the Korean War, the development the hydrogen bomb, the establishment of the Marshall Plan, the formation of defense pacts with Taiwan and Japan, and the centralization of military planning. Surely some of these policies were uniquely affected by local, parochial, bureaucratic, or historical

circumstances, but those of us who study American foreign policy see them as tied together and designed to accomplish a common end. That they were seen as interdependent by decision makers is demonstrated by the Eisenhower administration's belief that a reliance on nuclear deterrence through the doctrine of massive retaliation would allow the United States to decrease its military spending. Against such a background of generalization, our notion of portfolio does not seem out of place or extraordinary.

The use of foreign policy portfolios allows us to make generalizations and comparisons that are vital to the development of theory. The level of generality achieved permits comparisons of the policies of a state at different points in time or of the different portfolios of different states. We want to be able to say such things as, "As a state becomes more powerful it will attempt more to change the status quo, other things being equal." Such statements have meaning at a very general level, but they are also useful empirically, and using our concept of portfolios does not preclude more focused statements and expectations. Once we are able to identify what elements of a portfolio are designed to accomplish, we will be able to translate general statements into more precise expectations. For instance (without looking too far ahead), if we were to say that, in general, conflict initiation and the granting of foreign aid are good policies for changing the behavior of others, then our general statement is equivalent to saying that states that become more powerful are more likely to initiate conflict and to allocate greater resources to foreign aid, other things being equal. In other words, while the use of portfolios allows us to generalize, we can also disaggregate them into their component parts to analyze specific aspects of states' foreign policies.

Finally, we do not assume that a state's foreign policy portfolio is fixed or constant. Indeed, much of our discussion in the following chapters is directed toward determining when states alter their portfolios, and we discuss environmental factors that we believe lead states to make significant changes in their general orientation. We also present our ideas about *how* states go about instituting the changes they desire. If, for instance, a state wants to alter the existing political situation in a region or between it and some other state, what does it do? What policies, in other words, are good for bringing about changes and what policies are more associated with stabilizing or solidifying the status quo? In doing that, we draw conclusions from our theory that are general and—when we impute general goals to specific policies—can be quite specific.

The components of the state's foreign policy portfolio serve as our dependent variables, those things that we are attempting to explain. We will also be analyzing the relationship among the components of those portfolios, as the two-good theory has some direct implications for foreign policy substitutability. Now, having introduced what we want to explain, we present a short summary of our approach—the two-good theory of foreign policy.

The Two-Good Theory: A Summary

The two-good theory, of course, assumes that states pursue two things—we will call them change and maintenance—through their international behavior and component foreign policies and that they allocate foreign policy resources as efficiently as possible to maximize their utility. That simple statement contains the central components of the theory; but, as we will show, it leads to a large number of implications. Here we introduce some of the basic elements of the theory.

The political universe, we assume, can be viewed as consisting of issues that at least one state cares about. The world, in other words, can be modeled as a multidimensional issue space. The status quo at a particular time is the existing outcome of all those issues. It is evident that states will be happy with some of the outcomes and unhappy with others. All states, we assume, want to protect aspects of the world (the outcomes in the issue space) they like. One of those outcomes is, of course, the fact that they exist. Beyond that, there are such things as desired internal political arrangements, trade patterns, existing alliances, and a host of other components of the status quo that states would like to see unaltered. Simultaneously, all states would like to see some changes in the existing set of outcomes. Not everything is as any one state would like it to be. No state is able to determine the international and domestic policies of all other states, so all states are able to imagine a better world.

We assume that states have goals and that they pursue them through their foreign policies. These goals can be classified in as disparate and precise a fashion as one cares—states can be seen as attempting to ensure nuclear non-proliferation, to increase international respect for human rights, to protect the environment, to bolster democratic forces, to improve the life expectancy of newborns, to weaken the economies of enemy countries, and so on. Focusing separately on the vast array of specific goals and policies that states can adopt makes building general statements and theorizing impossible. Instead, we generalize about the goals states have as much as is fruitfully possible. Rather than saying that states have many, many goals (as many goals as there are issues) or that states have but one goal (either increasing their power or their security, for instance), we think it simplest and most useful to generalize to the point where we say states pursue *two* goals.[2] Specifically, we generalize to say that states use their foreign policies to protect the components of the status quo they like and to change those they do not like. We consider actions designed

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[2] As we argue throughout, a central consideration for explaining *any* choices that involve the expenditure of resources (which certainly characterizes foreign policy decisions) is an understanding of the trade-offs decision makers must make over things they value. Any such consideration requires us to assume there are a minimum of two things of value. Ours is thus the simplest theory that can allow an investigation of such trade-offs.

to protect existing outcomes as seeking the goal of *maintenance* and those designed to alter aspects of the status quo as seeking the goal of *change*. Foreign policy actions, our theory says, are directed at either maintaining or changing specific components of the international status quo.

Any analysis of foreign policy behavior implicitly or explicitly imputes goals to its actors. Since we wish to develop a fruitful and simple general theory, we have assumed that states have two goals, maintenance and change. The preferences leaders have for each of the two goals are affected by many factors, but the actual ability of the state to realize the desired change or the desired maintenance must be a prominent consideration in deciding what policies to adopt. Among the most important environmental factors that affect the effectiveness of a state's pursuit of its goals are the national capabilities of the state. We assume that the effectiveness of a state's pursuit of change or maintenance varies with its relative capabilities. States with more resources, not surprisingly, are better able to achieve *both* change and maintenance than are the less capable. Nonetheless, we expect to see a difference between more and less capable states in the relative emphasis placed on change versus maintenance, for a simple reason. Specifically, we argue that it is easier to maintain the status quo than it is to change it. That means that more capable states are *comparatively* better able to realize desired changes in the status quo than are weaker states, which have a comparative advantage in maintaining the status quo. This simple assumption—reasonable and defensible, in our view—implies a variety of things. For one, we expect to see that more capable states should be more active in altering the international status quo than weaker states, which, in turn, are expected to place a greater proportion of their resources into policies better suited to maintaining the status quo. In addition, states gaining in relative capabilities are likely to place a greater proportion of their new resources than previously into changing things and will place greater emphasis on policies better suited to bringing about change.

In the next chapter we will explain and justify the assumptions of the theory more fully. We present the logic that moves us from these few and simple assumptions to the theory's conclusions. We will spend considerable effort deriving the empirical implications of the theory so that we might subject them to test. Having summarized the components of the two-good theory, we move now to a short description of some of its characteristics and peculiarities.

Two-Good Theory Characteristics

Our task in this section is to highlight some of the more basic or implicit characteristics of the two-good theory. Our emphasis in this book is on the theory and what it tells us about the way international relations works; we are not prone to engage in extended epistemological discussion. Nonetheless, because

the two-good theory may offer a view of international relations that is different from those with which many readers are familiar, we want briefly to outline the two-good theory's positions on some sundry matters.

First, the two-good theory is abstract and general. It is not motivated by a desire to explain and understand only one state's foreign policy or only one type of behavior. Instead, the theory's goal is to understand the factors that affect the foreign policy portfolios of all states at all times. This has the advantage of making the two-good theory widely applicable, and its range is quite large. We can—and in succeeding chapters we will—analyze broad trends in a state's international behavior, such as the general directions of American foreign policy since World War II and of Chinese foreign policy since 1949. The theory can also help us analyze specific foreign policy decisions that are hard to understand using the usual theoretical tools we have for analyzing international relations. We can also have relatively precise expectations about particular policies, such as conflict initiation and alliance formation, and the theory can tell us about how changes in one policy can be expected to affect other policies.

The two-good theory makes no direct statement about the nature of the international system. We do assume, however, that there is no overarching authority capable of enforcing agreements or norms. States may be able to reach mutually satisfying arrangements between and among themselves (such as the formation of alliances and the founding of international organizations), and they may have reasons to abide (or not to abide) by those agreements. But the incidence of cooperation and coordination can and must be explained as functions of the self-interest of the actors, not the operation of supranational entity.

Realism shares this emphasis on the units that make up the system, of course. Neorealism similarly sees the system as fundamentally anarchic, but it also holds that the structure (for example, bipolar versus multipolar) and the distribution of power within the system impose constraints on the behavior of the states (see Waltz 1979). The two-good theory does not provide for system-level variables to affect the behavior of the units. The emphasis of the theory is on the behavior of the actors, the states; its focus is on the units. The theory takes as axiomatic that observed political outcomes are the result of the consequences—intended and unintended—of actors taking actions in pursuit of their self-interest. This focus on the units means that some characteristics, such as their level of national capability and the change in that capability, of those units are central to the theory. Other characteristics are either assumed not to play a significant role in determining the behavior of the states or are such that we are not currently able to make general statements about them.[3]

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[3] For example, in earlier work we distinguished among presidential, parliamentary, and autocratic political systems in applying the two-good theory (Morgan and Palmer 1996). We anticipate returning to that attention and applying it to domestic political structures, but the current work has assumed that domestic political arrangements have very little effect on foreign policy.

The theory is general, but it is also falsifiable. This is a critical attribute of any good theory. The two-good theory hypothesizes, to take an example, that states increasing in their power are the most likely to pursue change-seeking policies, compared to states that are declining in power or those not changing in power. We have identified the initiation of conflict as a change-seeking policy. If we were to find that states increasing in power do *not* have the highest incidence of conflict initiation, we would conclude that the two-good theory is wrong. We have, in fact, reported instances in this volume where hypotheses generated by the two-good theory are not supported. We do not conclude that the theory is without merit, however, in part because of the number of—often nonintuitive—hypotheses that are supported by the evidence. Indeed, we argue that it represents an advance over prominent and widely used theories of international behavior in part precisely because it is, on occasion, wrong in its predictions. Accepting where one's theory is wrong rather than manipulating it to account for any observed phenomenon is essential for the development of knowledge. Addressing the problems thus revealed is, of course, the subject of further work.

Last, the two-good theory can produce novel expectations about foreign policy substitutability. In other words, it can do more than explain how the environment affects one policy at a time. As the theory assumes that some policies are better at bringing about change while others are better at maintaining some parts of the status quo, and (in keeping with standard definitions of rationality) it assumes that states choose the most efficient policies to accomplish their set of goals, it speaks to the relationship between and among policies. Recall that the traditional understanding of substitutability says that as resources given over to one policy increase, resources given to all other policies decrease. The two-good version of substitutability says that we must know two things about a policy before we can predict the effect of increased allocations to it. First, we must know why more was given over to the policy: is it more efficient at accomplishing its end than previously? Does the state now value the good that policy produces more than previously? Or have the overall resources the state can dedicate to foreign policy increased? Second, we need to know what good this policy is better suited to acquiring. The predictions the two-good theory makes regarding the effects on other policies depend on whether those other policies produce the same or a different good. In viewing states as constructing portfolios—mixtures of particular policies—the theory can explain how substitutability can be expected to operate.

Plan of the Book

We proceed as follows. The next chapter lays out the two-good theory in some detail. We address a number of conceptual issues, we specify our key

assumptions, and we spell out the reasoning behind those assumptions. We also state some of the implications from the theory and present some of the many empirical hypotheses that can be drawn. Our goal in chapter 2 is to make the two-good theory accessible and attractive. To that end, we spend some time making the point that the two-good theory really is quite simple and that the assumptions it makes about the relationships between concepts (such as power and the ability to pursue change) are as simple as any theory that has actors pursuing multiple goals can be. We also argue that the primary value of the two-good theory is the breadth of behaviors it can explain.

Chapter 3 begins the application of the implications of the two-good theory. We apply the theory to the general patterns of one country's foreign policy over an extended time—specifically, to U.S. foreign policy since World War II. This case contains a wealth of historical material that will be familiar to many readers. Our purpose is not to provide new historical data but to show how the broad patterns of American foreign policy are interpreted and understood by the two-good theory. We will discuss, for instance, how the theory sees the United States not as a status quo oriented power but as the most change-seeking country in the world after 1945. We will show how the postwar foreign policy consensus resulted less from a widely shared belief about the need to contain Soviet expansion than from the power of the United States, which provided the ability for American policy to meet the desired goals of large numbers of domestic constituents. People who wanted to maintain American supremacy and keep the Soviet Union at bay could be satisfied, as could those who wanted to establish fertile grounds for American business, particularly in Europe. As the relative power of the United States declined, the foreign policy consensus predictably unraveled. Particularly after the Vietnam experience, Americans were caught in a debate about whether the United States should retain the focus on opposing the USSR or reorient its policies toward achieving greater international economic and social coordination. That debate reflected the fact that the United States could no longer simultaneously satisfy the demands of those who wanted American policy to bring about change in the international system and of those who wanted the United States to protect the beneficial aspects of the international status quo. The reinterpretation of postwar U.S. foreign policy will, we hope, show the distinguishing features of the two-good theory as well as provide a better, more scientifically based view of that period in history.

In chapter 4 we apply the two-good theory to different situations to see how it explains seemingly odd events in international relations and how it is useful for analyzing quantitatively the patterns of one state's foreign policy. We do this to show the range of analyses and uses to which the two-good theory can be put. Specifically, we apply the theory to a situation where a large country—Russia—accepted extremely harsh terms in negotiations to end its participation in World War I. The Treaty of Brest-Litovsk is interesting because Soviet

Russia was willing to end its war with Germany even at the cost of a large percentage of its land and about 25 percent of its population. It is also interesting and useful for us because we know a fair amount about the discussions among the Bolshevik leadership leading up to the Brest-Litovsk agreement. The disagreements among the three factions in the leadership—led by Lenin, Trotsky, and Bukharin—can be understood and analyzed easily through the two-good theory.

The second case we discuss involves a small country that took actions knowing that the result would be the end of its alliance with a much larger country. The end of the alliance between New Zealand and the United States in 1985 followed the election of a new government in New Zealand that placed significantly greater value on its independence from the United States on particular policy matters than did its predecessor. This alliance is instructive because some approaches to understanding international politics have a difficult time explaining either why (using Morrow's [1991] language) such "asymmetrical" alliances exist on the one hand, or why there aren't many more of them on the other. The two-good theory does a nice job of explaining both why these alliances exist and why a small country might decide that membership in such an alliance is no longer valued. Last, chapter 4 looks at Chinese foreign policy since 1949 using a variety of statistical analyses. The point of our exercise there is to make some predictions about the general directions of China's policy based on several environmental factors identified by the two-good theory. Chapter 4, we hope, shows how disparate and valuable the uses of the two-good theory are.

After devoting two chapters to the applications and illustrations of the theory, we present the formal, mathematical version of the two-good theory in chapter 5. The chapter provides more rigorous direction and reasoning for the statistical analyses of the two subsequent chapters, and it makes our assumptions more precise and the logic used to derive the hypotheses more explicit. The chapter may be taxing for some, but we think it worth a little effort because one salient conclusion we think readers will come away with is that the theory is remarkably simple in its components and logic. We will argue this point repeatedly throughout this volume, but nowhere is the case made more apparent than in chapter 5.

Chapter 6 presents statistical analyses of some of the hypotheses derived from the theory. For example, we look at the effects of one prominent environmental factor—national capabilities—on the rate at which states initiate and reciprocate international conflict. We find some surprising things that are nonetheless predicted by the theory. For instance, consistent with our expectations we find that less powerful states are more likely to reciprocate conflict than are more powerful states. We also investigate empirically some of the theory's implications for foreign policy substitutability. We look at how foreign aid allocations are affected by such policies as alliance membership, general

military expenditures, and international conflict involvement. We will show both that substitutability is more complicated than is often believed and that the implications of the two-good theory's version of substitutability are borne out.

Chapter 7 investigates foreign policy substitutability in greater detail and does so in two ways. First, there is a set of statistical analyses regarding the effects of joining alliances on other aspects of states' foreign policy portfolios. One of the basic points of that analysis is to show the strong support for the theory's two fundamental conclusions regarding substitutability: first, substitutability patterns are affected by the relative efficiency with which specific policies produce change or maintenance; second, the effects on one policy, A, of putting greater resources into some other policy, B, are based on the motivations for increasing the resource allocated B in the first place. Chapter 7 also presents a case study of the Suez Canal Crisis of 1956. It is useful for us to spend some time on this crisis because one of our theory's conclusions is that rather than constraining behavior, alliance membership serves to allow states to pursue their foreign policy goals more actively. The end of the Suez Canal Crisis is frequently portrayed as following the American insistence that its allies, Britain and France, withdraw from Egypt. Perhaps so, but our examination of the case shows that without their alliance with the United States, the United Kingdom, and France (and Israel) would have been militarily and politically incapable of launching their invasion of the Suez Canal in the first place. In terms of our theory, the alliance with the powerful United States provided Britain and France with resources and maintenance, allowing them the opportunity and desire to increase their change. The war against Egypt could not have occurred without the alliance with the United States.

In the final chapter we argue that the two-good theory is an advance in the analysis of international relations. We think the primary cost of the theory—the loss in parsimony—is much less real than appears at first blush. Part of this, we argue, is because realism and neorealism are underspecified; they are not as complete as they need to be. The two-good theory, we demonstrate, is fully specified and as simple a theory as possible, given the assumption that states pursue multiple goals in their international behavior. We argue that the logical completeness and the gain in empirical explanatory power more than justify the two-good theory. We hope, by the end, the reader will agree.

We turn now to a description of the two-good theory.