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**On the Strategic Implications of Power Shifts:  
Reassurance, Coercion and Preventive Action**

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Dipl.-Pol., Free University Berlin, 2001

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An abstract of  
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of Emory University  
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Abstract

**On the Strategic Implications of Power Shifts:  
Reassurance, Coercion and Preventive Action**

Philipp Fuerst

Commitment problems by rising states to refrain from exploiting gains in power to revise the status quo (e.g., the location of an international border) in their favor are widely believed to constitute a key reason why declining states engage in preventive wars and preventive strikes. This dissertation reexamines the alleged nexus between power shifts and preventive action by focusing on the strategic interaction between rising and declining states. Using a game-theoretic model, this dissertation argues that the destabilizing effects of interstate power shifts are generally overrated because rising states have strong incentives to reassure declining states that their fears of an impending power shift are unwarranted. Importantly, the model suggests that policies of reassurance are common and effective means of averting preventive action and fostering peace. Yet, the game-theoretic model also suggests that in some circumstances, rising states can and will engage in coercive policies in order to extract more generous concessions from declining states. Furthermore, the game-theoretic model makes predictions regarding the circumstances under which rising states will neither reassure nor coerce their declining opponents and develops hypotheses on why and when the anticipation of power shifts may actually result in preventive action.

This dissertation examines the empirical validity of the theoretical model on the strategic implications of interstate power shifts by offering three in-depth case studies. The first case study examines Franco-German relations between 1949 and 1955 and suggests that Germany's fear of preventive action induced it to pursue a policy of reassurance vis-à-vis France, which in turn encouraged France to grant Germany's limited military revitalization after World War II. The second case study looks at Franco-German relations between 1933 and 1938 and argues that Germany exploited France's unwillingness to take preventive action against Germany's gain in power by remilitarizing the Rhineland and annexing the Sudetenland. The third case study focuses on Israeli-Egyptian relations between 1952 and 1956 and suggests that Israel's decision to take preventive action in the form of the 1956 Sinai campaign can largely be attributed to Egypt's domestically induced unwillingness to reassure Israel.

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- *Meinen Eltern* -

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## 1 Introduction

Fifteen years ago, James Fearon asked a simple question which has led to a new and promising body of scholarship on the causes of war: “[W]hat prevents states in a dispute from reaching an *ex ante* agreement that avoids the costs they know will be paid *ex post* if they go to war?” (Fearon 1995, 384). One prominent answer that has been provided to answer this question points to states’ commitment problems that arise in the wake of significant increases in relative capabilities (Fearon 1995; Powell 2004; 2006). Significant increases in relative power, the argument goes, induce rising states to make more forceful demands on contested issues, for example territorial divisions, which in turn makes it rational for declining states to take preventive action in order to forestall a power shift.

This dissertation claims that the standard argument on power shifts, commitment problems and costly preventive action is incomplete as it unduly neglects a rising state’s incentives and ability to avert preventive action by a declining state. Intuition suggests that if states and state leaders are indeed concerned with the inefficiency of warfare and preventive action, rising states should have an incentive to constrain their gains in relative capabilities and the extent of their commitment problem to a level where a declining state prefers acquiescing to a power shift to taking costly preventive action.

This dissertation examines the validity of this intuition by offering a series of game-theoretic models on the strategic implications of power shifts. These models extend extant formal approaches in several ways, most notably by allowing declining states to manipulate the extent of their commitment problem before a power shift materializes. The most important empirical implication of these theoretical models is that rising states

will often successfully avert a preventive strike or attack by reassuring their declining opponents that their fears of being subjected to a revision of the status quo in the future is unwarranted. Hence, the theoretical model developed in this dissertation implies that power shifts are less likely to lead to preventive action than the standard “war as commitment problem” argument suggests.

While the theoretical model focuses on the role of reassurance as a means of avoiding preventive action, it is also concerned with the broader strategic implications of power shifts. Importantly, it makes predictions regarding the circumstances under which rising states will engage in reassurance or resort to a different strategy. The model suggests that the size of an expected power shift relative to the costs of preventive action is critical for rising and declining states’ interaction and the overall outcome of a power shift. The model predicts that in cases where power shifts are relatively small compared to the cost of preventive action, declining states have no incentive to take preventive action. This, in turn, means that rising states will consider reassurance unnecessary with the overall result that power shifts will pass peacefully. If the power shift is sufficiently small relative to the costs of preventive action, rising states may even engage in rhetorical and behavioral “saber-rattling” in order to coerce a declining state into making additional concessions.

The remainder of this dissertation is structured as follows. Chapter 2 offers a literature review of both informal (2.1) and formal approaches (2.2) on the nexus of power shifts and preventive action. While this literature has generated important theoretical and empirical insights on why and when declining states may resort to preventive action, it generally assumes that rising states will remain passive prior to

power shifts and are unable to influence a declining state's decision-making calculus on whether to acquiesce to a power shift or to take preventive action.

Borrowing heavily from the “bargaining model of war” literature, Chapter 3 offers an informal discussion of various actions that a rising state might take in order to manipulate a declining state's decision-making calculus to its advantage. Specifically, this chapter distinguishes between (i) sunk-cost signals with which a rising state might try to inform a declining state of the severity of its commitment problem, (ii) audience cost-based signals with which a rising state issues political promises concerning its behavior after a power shift has materialized, and (iii) security-related tying-hands signals, which are actions that increase or decrease a rising state's gain in relative capabilities.

Chapter 4 offers a series of game-theoretic analyses of a rising state's incentives to take these individual actions and their impact on a declining state's decision-making calculus on how to respond to an impending power shift. The formal analyses suggest that sunk-cost signals are of no strategic value in the context of power shifts, while audience cost-based signals and security-related tying-hands signals are powerful tools for both reassuring and coercing declining states. Importantly, the analysis shows that the effect of these “signals” is not due to the revelation of private information, but due to their effect on the magnitude of the commitment problem.<sup>1</sup>

The formal analyses suggest that power shifts may result in three general equilibria, which are largely a function of the size of an anticipated power shift relative to the costs of fighting: in the first equilibrium, a rising state remains passive or coerces a declining state into making additional concessions and the declining state acquiesces; in

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<sup>1</sup> Despite this important finding, the signaling terminology will be used in the remainder of the dissertation to maintain consistent language.

the second equilibrium, a rising state reassures a declining state of its peaceful intentions and thereby averts preventive action; and in the third equilibrium, a rising state remains passive and is subjected to preventive action by a declining state.

Chapter 5 integrates the individual formal models into a single framework and examines the interaction between rising and declining states if a rising state can simultaneously choose among different types of reassuring and coercive actions. This unified model corroborates the key dynamics laid out in chapter 4 and suggests that rising states will prefer issuing signals that are associated with the lowest opportunity costs. At the same time, the model suggests that if audience cost-based signals are just as effective as security-related tying-hands signals, the former tend to dominate the latter in situations where a rising state feels compelled to resort to reassurance.

Chapters 6 to 8 offer in-depth case studies to examine the empirical validity of the theoretical model's implications. Chapter 6 examines Franco-German relations between 1949 and 1955, which offer strong support for the logic of the theoretical model's reassuring equilibrium. The case study suggests that Germany's decisions to join the European Coal and Steel Community and to accept several constraints on its rearmament were security-related tying-hands signals of reassurance which persuaded France to give up its obstructionist policy regarding Germany's economic and military revitalization. Chapter 7 looks at Franco-German relations between 1933 and 1938, which correspond closely to the theoretical model's propositions on a coercive equilibrium with security-related tying-hands signals. The case study shows that the Nazi leadership's awareness of France's unwillingness to thwart its massive armament effort by preventive action encouraged it to engage in actions that further increased its power position, most notably

by remilitarizing the Rhineland in 1936 and annexing the Czechoslovakian Sudetenland in 1938. Chapter 8 offers an in-depth analysis of Israeli-Egyptian relations between 1952-1956, when Israel launched the Sinai campaign against Egypt. As predicted by the preventive war equilibrium, there is evidence that the Egyptian government refrained from resorting to reassurance because it deemed preventive action by Israel unlikely. Furthermore, there is ample evidence that opportunity costs played a significant role for Egypt's passive behavior, as President Nasser feared that pursuing a reassuring policy towards Israel would jeopardize his political standing in Egypt and the Arab world. Chapter 9 discusses the strengths and weakness of the theoretical framework in light of the empirical findings and suggests some avenues for further research.

## 2 Literature Review: Power Shifts and Preventive Action

Preventive wars are widely seen as a regular, even inescapable empirical phenomenon in international relations. The American historian Paul W. Schroeder (1972), for instance, concludes that “preventive wars, even risky preventive wars, are not extreme anomalies in politics” (322) but are “normal, even common tools of statecraft” (322). Similarly, Hans Morgenthau (1948) argues that “[p]reventive war, however abhorred in diplomatic language and abhorrent in the democratic public opinion, is in fact a natural outgrowth of the balance of power” (155). A.J.P Taylor (1954) even concludes that “every great war” (166) in the 19<sup>th</sup> and the early 20<sup>th</sup> century “started as a preventive war, not a war of conquest” (166). More recent attacks and wars that have been described as preventive include Israel’s 1956 Sinai campaign (Levy and Gochal 2001-2002), Israel’s 1981 strike against Iraq’s nuclear Osiraq reactor (Levy and Gochal 2004), and the 2003 U.S. invasion of Iraq (e.g., Doyle 2008; Reiter 2006).

There is a broad consensus in the literature on the ultimate reason why states wage preventive wars: states fight preventive wars in order to preclude adverse shifts in the balance of power. Famously, Thucydides (1954) invoked this logic to explain the Peloponnesian War 2,500 years ago: “What made war inevitable was the growth in Athenian power and the fear which this caused in Sparta” (1.23). Over time, Thucydides’ argument was picked up by classical thinkers including Machiavelli, Locke and Rousseau, and also adopted by more modern-day realist thinkers such as Kenneth Waltz (1959) who claims that even “[t]hough a state may want to remain at peace, it may have

to consider undertaking a preventive war; for if it does not strike when the moment is favorable, it may be struck later when the advantage has shifted to the other side” (7).

The preoccupation with potential security threats that may arise from future changes in power is a critical component of preventive motivations. Furthermore, this long-term orientation distinguishes preventive actions from preemptive actions, which are intended to counter imminent threats or attacks (see e.g., Jervis 1978, 188-198; Levy 1987, 90-92; Reiter 1995, 6-7). At the same time, preventive and preemptive actions share a common logic in that their initiators intend to reap the benefits of striking first.

Since “preventive war” is generally understood as a type of war that is driven by the “perception that one’s military power and potential are declining relative to that of a rising adversary” (Levy 1987, 87) and a declining state’s “fear of the consequences of that decline” (87), it seems that explaining and predicting preventive wars ought to be a relatively straightforward matter. However, as Jack Levy (2008, 2) points out in a recent review of the state of literature on preventive wars, the link between power shifts and preventive wars is not as straightforward as it might seem:

We lack a set of conditional generalizations that specify which kinds of states, facing which kinds of rising adversaries, adopt preventive military strategies instead of other strategies, and under what conditions. This is a serious omission, because narrowing power differentials do not usually lead to preventive strikes. (Levy 2008, 2)

This chapter reviews the extant international relations literature that links power shifts to violent conflict. The literature review begins with informal explanatory approaches for preventive wars (section 2.1). Despite some important exceptions, these approaches



typically turn to contextual factors in order to identify the conditions under which power shifts result in war, including system polarity, military strategy, regime type, leaders' psychology and the presence of anti-preventive war norms. In section 2.2 the literature review turns to the rationalist "bargaining model of war" literature (see Fearon 1995; Reiter 2003), which conceptualizes the link between power shifts and preventive wars in terms of a commitment problem (Fearon 1995; Powell 2004; 2006). In order to explain the occurrence of preventive wars, this largely formal literature returns to the initial insight that power shifts generate fear in declining states and lays out why resorting to violent preventive action may constitute a rational choice for declining states even though it entails significant risks and costs.

The following literature review suggests that extant theoretical approaches - especially "windows of opportunity" theory (Van Evera 1999) as well as formal "war as a commitment problem" arguments (Fearon 1995; Powell 2004; 2006) - identify some key properties of the link between power shifts and preventive action. At the same time, a persuasive and comprehensive theory of when power shifts lead to violent preventive action is still missing. I will argue that the most important shortcoming of the extant literature lies in the tacit assumption that rising states (or allegedly rising states) will remain passive when confronted with the prospect of being subjected to preventive action.

This dissertation disputes this assumption. Instead, it argues that potentially rising states have a strong interest in averting prevention and will often convince their declining opponents that their fears of an impending power shift are unwarranted. Hence, this dissertation claims that the anticipation of power shifts is less dangerous to international

peace than commonly believed because allegedly rising states can and frequently will persuade their declining opponents to refrain from taking preventive action by pursuing a strategy of reassurance. Furthermore, this dissertation argues that even though a rising state's incentive to reassure a declining state is particularly strong if a declining state considers waging a full-fledged preventive war, the prospect of being subjected to preventive strikes or non-violent preventive action may suffice to induce a rising state to resort to reassurance as long as these preventive actions are sufficiently costly.

## 2.1 Informal Approaches

One prominent body of literature argues that the anticipation of power shifts creates “*windows of opportunity*” which tempt leaders of declining states to wage preventive wars in order to avoid having to fight or bargain from a position of weakness (Lebow 1984; Snyder 1985; Van Evera 1984; 1999).

Windows of opportunity theory advances two important claims on the link between power shifts and the likelihood of preventive wars. First, it argues that declining states' incentives to resort to preventive action are increasing in the size and the speed of the power shift (Van Evera 1999; Snyder 1985). Hence, if the size of the power shift falls below a certain threshold, a declining state “should have no incentive to launch a preventive attack” (Snyder 1985, 160). Second, as pointed out by Van Evera (1999), the reason why large power shifts may induce declining states to wage a preventive war is because rising states “cannot bind themselves to their promises” (81) not to exploit gains in power. It is worth pointing that these two claims correspond with the formal

bargaining model of war literature's propositions that "[l]arge, rapid changes in the actors' relative power [...] may cause inefficiency" (Powell 2004, 231) because power shifts create commitment problems for rising states (Fearon 1995; Powell 2004).

According to Van Evera (1999), who offers the most elaborate formulation of windows of opportunity theory, states find it exceedingly difficult to remain at peace in the wake of power shifts for four reasons. First, he asserts that because "windows are usually created by forces that diplomacy cannot control" (81), finding a diplomatic solution "to freeze the two sides' relative power, thus shutting the window" (81) is usually not an option. Second, Van Evera believes that windows of opportunity set in motion a vicious circle because power shifts increase the expectation of war which, in turn, magnifies other war causes such as first-strike advantages. Third, impending power shifts may hasten or truncate diplomacy, so that "workable diplomatic solutions will be overlooked, that deterrence will be attempted too late, and that decisions will be made under the sway of unexamined assumptions" (84). Fourth and finally, Van Evera points out that rising states "conceal their grievances against others from fear of triggering preventive attack" (83) which means that "[c]onflicts are not resolved because they are not acknowledged" (83).

Van Evera (1999) examines three cases to assess the validity of his windows of opportunity theory. Japan's relative decline in capabilities vis-à-vis the United States in the late 1930s and early 1940s constitutes the first case. Here, Van Evera finds support for his theoretical expectations, because Japanese leaders doubted the feasibility of a durable agreement with the rising US, leaders deliberated and negotiated in great haste and decided to attack Pearl Harbor. Van Evera claims that Germany's foreign policy

between 1933 and 1945 also supports his expectations because “Germany concealed its grievances during the rise, then eschewed diplomacy and launched several wars after it rose” (93). However, it seems that the case of Germany’s rise actually constitutes a problem for windows of opportunity theory because it has difficulties explaining why Britain and France failed to take preventive action against Germany (see Powell 1996). Similarly, it seems that U.S. foreign policy during between 1950 and 1954 towards the Soviet Union only partially supports windows of opportunity theory. While Van Evera’s (1999) finding that the United States “pursued a cautious policy in 1950-1951 during the perceived valley of U.S. weakness, then a much a much tougher policy in 1952-1954, after crossing the valley” (100) supports his theory, the fact that the United States did not take preventive action against the Soviet Union constitutes a puzzle for windows of opportunity theory (see also Trachtenberg 1991, 100-152). Van Evera (1999) notes that this finding “shows the limits of windows theory” (102) and further adds that the “window of 1952-54 was only middle sized, and the costs of war seemed large to U.S. leaders” (102). While this explanation may be substantively correct and is actually in line with the logic of the model laid out in this dissertation, it falls outside Van Evera’s theoretical approach as it does not systematically incorporate costs of fighting.

By emphasizing the role of the size of a power shift, a rising state’s difficulties to bind itself not to exploit a power shift as well as a rising state’s incentives to conceal its future commitment problem, windows of opportunity theory shares key components with the theoretical model advanced in this dissertation. However, it seems that windows of opportunity theory is unduly pessimistic with respect to rising and declining states’ ability to use diplomacy to avoid violent conflict in the wake of power shifts. The model

developed in this dissertation disputes the validity and efficacy of the reasons that Van Evera (1999) provides for explaining why diplomacy does not constitute an option in the wake of power shift. First, while it may be true that power shifts are largely exogenous, the model advanced below holds that rising states will usually have at least some discretion over the size of future power shifts, for instance by adjusting defense spending. Second, while other war-causing features may certainly add to the danger of power shifts, it is not clear why their presence should make the outbreak of war a foregone conclusion. Third, due to the costliness of preventive action, rising and declining states should have strong incentives to give diplomacy a chance in the wake of power shifts. Fourth, even though the reassurance model agrees that rising states have incentives to conceal their grievances, it should be noted that their non-acknowledgment should actually decrease, not increase a declining state's willingness to take preventive action.

Interestingly, Van Evera (1999) notes that power shifts may create "countervailing pressures towards peace" (80) because they "give declining powers reason to fight, but give ascending powers equal reason to avert war for now" (80). He further acknowledges that there are "examples of rising states actively working to defer war" (87), but finds that their occurrence is "far outnumbered by instances where windows are associated with war-risking policies" (87), even though he does not offer explicit empirical evidence to support this claim. The theoretical model developed in this dissertation suggests that this empirical generalization is incorrect and proposes that Van Evera underestimates rising and declining states' willingness and ability to avoid violent preventive action even when a declining state expects a large power shift.

Copeland's (2000) theory of *dynamic differentials* agrees with the windows of opportunity approach by emphasizing the critical role of the magnitude of a power shift for the likelihood of preventive war. According to Copeland (2000), "the higher the expectation of an inevitable and deep decline, the more the [declining] state will be inclined to preventive war simply for security reasons" (20).

However, for Copeland there are two additional factors that influence the probability whether an anticipated change in relative capabilities will result in preventive action or not. One of these factors is a declining state's relative capability before the power shift. Copeland, who attempts to explain *major* preventive wars, argues that weak powers in decline may be willing to wage preventive wars, but find themselves unable to do so because "they simply lack the capability to 'take on the system'" (16). As a result, Copeland expects that only states that qualify as major powers will actually resort to preventive war.

System polarity is the third factor in Copeland's theory of dynamic differentials. Copeland proposes that preventive wars are more likely in bipolar systems than in multipolar systems. He argues that waging a preventive war is a more attractive option for declining states in bipolar than in multipolar systems because they will face fewer formidable opponents, which decreases the costs and increases the probability of success of preventive action. Copeland also maintains that bipolar systems offer fewer opportunities to keep rising states' ambitions in check than multipolar systems, which adds to declining states' preventive motivations in bipolar systems. For these reasons, Copeland argues that in bipolar systems even second-ranked major powers may decide to

resort to prevention, whereas in multilateral systems only exceedingly powerful declining states will wage preventive wars.

Copeland (2000) examines the validity of his theoretical expectations by offering a series of case studies on major power wars and crises. In line with his expectations, he finds that “concerns for the long-term growth of the Russian colossus pushed German leaders to wage war as soon as Germany’s forces were ready” (78) in 1914 and that Germany’s decision to go to war was based on the belief that Germany “did indeed have enough military power to take on the system” (69). Similarly, Copeland notes that Germany’s decision to initiate World War II supports the logic of dynamic differentials because Germany feared a significant decline as a result of Russia’s “massive industrialization program” (144) and because Germany had the military superiority required to launch a major war in a multipolar system. Furthermore, Copeland argues that the 1948 and 1961 Berlin Crises as well as the 1962 Cuban Missile Crisis support his theory because they were driven by “[p]erceptions of declining power resulting from the anticipated success of the other’s programs” (179). Copeland also offers brief analyses of seven major wars from Pericles to Napoleon and finds that three cases “demonstrate how fragile bipolar systems can be: in each case, war broke out even though the declining state was only roughly equal to the rising state in military power” (234). In three out of the remaining four cases Copeland finds that “it was a declining state with significant military superiority that brought on systemic war” (234) and that even “in the anomalous case, the Seven Years’ War, fears of a decline were instrumental in pushing Austria to organize a war of elimination against Prussia” (234).

Copeland's theory of dynamic differentials identifies several attributes of the link between power shifts and preventive wars that are also emphasized by the theoretical approach laid out below. First, it emphasizes the critical role of the size of power shifts for the likelihood of preventive wars. Second, Copeland (2000) notes that power shifts are always associated with a significant degree of uncertainty because "rising states have every incentive to misrepresent their intentions as peaceful to reduce the possibility of preventive attack" (22). As a result, declining states will "have a hard time sorting out those states that are genuinely peaceful from those that are not" (22), which complicates their decision whether preventive action is warranted or not. Third, Copeland stresses that one does not have to assume that states harbor overly aggressive intentions for them to contemplate preventive war. Instead, a purely security seeking state may initiate a preventive war "solely because of its fear of inevitable and profound decline" (22).

Like windows of opportunity theory, the core weakness of Copeland's theory of the dynamic differentials lies in its neglect of rising states' willingness and ability to take actions in order to avert prevention. Hence, Copeland seems to overpredict the occurrence of major preventive wars. As will be laid out below, the costs associated with enduring a preventive action - both in terms of physical destruction and foregone benefits of a gain in relative capabilities - should give rising states strong reasons to convince their declining opponents not to resort to preventive wars.

Second, Copeland's decision to restrict the empirical domain to explain only the occurrence of major wars is a drawback. It is not clear why power shifts that only affect a limited number of states or result in limited preventive actions (such as military strikes against weapons facilities) should adhere to a different logic than power shifts that affect



the entire international system. The model laid out in this dissertation suggests that regardless of their severity, preventive actions adhere to a common dynamic and can therefore be accounted for by a single theoretical framework.

A third prominent approach that links the anticipation of power shifts to an increased probability of warfare is *power transition theory* (Organski 1958; Organski and Kugler 1980; Kugler and Lemke 1996; Kugler and Organski 1989). However, with its proposition that power shifts will typically induce the rising state to initiate a war, power transition theory contradicts the consensus view that power shifts will motivate the declining state to initiate war in order to prevent a detrimental power shift. The reason why power transition theory expects rising states to initiate wars is as follows: as long as a dominant power remains preponderant, it will be able to preserve the status quo through deterrence and coercion. However, once a dominant power begins to decline vis-à-vis a dissatisfied opponent, its ability to maintain the status quo will erode. Once the rising opponent has reached parity, it will resort to force in order to revise the status quo in a way that reflects the new distribution of capabilities.

While the power transition research program has spawned an impressive body of theoretical extensions and empirical research (see Kugler and Lemke 2000 for an overview), there have been numerous criticisms and qualifications (see DiCicco and Levy 1999) of its core propositions. The most obvious and critical problem pertains to the prediction that it is not the declining, but the rising state that initiates a war. In their review of power transition theory, Kim and Morrow (1992), wonder “why dominant states do not crush nascent challengers far in advance of their rise to power” (897, n.1). Similarly, DiCicco and Levy (1992) point out that power transition theory ignores “that

the very rise of the challenger constitutes a potential threat to the status quo” (695) and that the declining state should have a strong “incentive to use force [...] to block the rising challenger while the opportunity is still available” (695).

Power transition theory’s failure to offer a persuasive explanation of a rising state’s level of dissatisfaction with the status quo, which constitutes the theory’s sufficient condition for power shifts to result in war (Organski 1958; Organski and Kugler 1980; Lemke and Kugler 1996), presents a second problem. Because of this blind spot, power transition theory is “not free from the criticism that the riser’s attitude toward the status quo serves as an ad hoc explanation for cases of peaceful power transition” (Lee 2008, 7). Despite these problems, power transition theory should not be rejected out of hand because it correctly identifies rising states’ incentives to eventually use their gains in relative capabilities to adjust the status quo in their favor, which is the key reason why declining states may be tempted to take preventive action.

Approaches that highlight the *configuration of military capabilities* offer a third set of explanations for the onset of preventive war. The most prominent approach in this body of literature argues that power shifts are more likely to result in preventive war if the offense is dominant and less likely if the defense is dominant (Van Evera 1998; 1999). The logic behind this argument is rather simple. If the offense is dominant, conquest is easy, which increases not only the likely success of a preventive war, but also a rising state’s temptation to resort to force in order to revise the status quo after a power shift which, in turn, further increases declining state’s willingness to opt for prevention. By contrast, if the defense is dominant, both rising and declining states “can defend and neither can conquer before and after the shift” (Van Evera 1999, 104).

While logic of the offense-defense argument on how the configuration of military forces may influence the danger of power shifts is plausible on theoretical grounds (see also Fearon 1995, 404), its empirical power remains unclear. One reason for this is that the operationalization of offense-defense balance is associated with numerous difficulties (e.g., Levy 1984; Shimshoni 1990/1991). Moreover, the few rigorous empirical assessments that do look at the effect of the offense-defense balance on the likelihood of war (e.g., Fearon 1997a; Hopf 1991; Gortzak, Haftel and Sweeney 2005; see also Biddle 2004) do not control for the presence or absence of power shifts.

Lee (2008) also argues that the configuration of military capabilities impacts the likelihood of preventive war. Unlike offense-defense theory, which is mainly concerned with the hard-wiring of military forces, Lee's theory emphasizes military strategy (see also Sagan 2003; Snyder 1984; 1991; Posen 1984 on the sources of military strategy). Lee's key argument holds that all else equal, power shifts are likely to result in war if the declining state has a "maneuver strategy" and are likely to pass peacefully if the declining state has an "attrition strategy."

There are three ways in which a declining state's military strategy influences the probability of a preventive war according to Lee. First, military strategies affect a declining state's "opportunity for war" by determining the probability of winning and the costs of fighting. While maneuver strategies promise an enemy's quick and decisive defeat through "strategic paralysis" (15), attrition strategies rely on the application of brute force and a wasteful series of set-piece battles with uncertain outcomes. Hence, for declining states, prevention is a much more attractive option if they have a maneuver strategy rather than an attrition strategy.

Second, a declining state's military strategy affects the "opportunity for diplomacy." According to Lee, an attrition strategy's reliance on easily observable material factors increases the opportunity for diplomacy as it facilitates a rising state's ability to offer adequate compensation to the declining state. Also, due its low expected utility for war, a declining state with an attrition strategy has a strong interest in finding a diplomatic solution. By contrast, declining states with a surprise-based maneuver strategy cannot hope to be adequately compensated because divulging its details robs this strategy of most of its value. The high expected utility declining states attach to preventive war when they can resort to a maneuver strategy further decreases the opportunity for diplomacy according to Lee.

Third, a declining state's military strategy affects its "preventive motive." Lee (2008) argues that declining states with a maneuver strategy have more to lose from a power shift than declining states with an attrition strategy: while the latter stand to lose "only their power over time" (27), the former will lose "both their strategy and their power" (27), which gives them a stronger incentive take preventive actions.

In order to test his military strategy theory of preventive wars, Lee (2008) offers three in-depth case studies. In line with his theoretical expectations, Lee finds that Russia's attrition strategy explains why it did not prevent Germany's rise between 1870 and 1890, while Japan's and Germany's maneuver strategies induced them to take preventive actions against the United States and Russia during World War II. Lee briefly examines eleven additional cases in which there was a change in relative GDP of 20 per cent over a decade and finds that the declining state's military strategy predicts its response correctly in six cases and incorrectly in five cases. The latter five cases include

Austria's decision to fight a preventive war against Russia despite its attrition strategy and Germany's decision to attack Great Britain and France in World War I and II, even though Germany was rising, not declining vis-à-vis these two states.

Lee's (2008) approach raises two major issues. For obvious reasons, the valid and reliable measurement of states' military strategies is critical in order to examine to explanatory value-added of Lee's theory. However, if Lee's assertion that states keep maneuver strategies and their details secret is correct, empirical analyses of states' military strategies are bound to exhibit severe miscodings that cannot easily be rectified.

Second, and more importantly, the microfoundation of Lee's (2008) explanation why maneuver strategies minimize the opportunity for diplomacy in the wake of power shift is not entirely convincing. Lee argues that diplomacy fails because the rising state finds it difficult to compensate a declining state for its loss in relative capabilities because the latter "has an incentive to exaggerate its loss of military capability and underestimate its fighting costs on the negotiation table in order to gain greater concessions" (22). While this dynamic is not implausible, it should be noted that it suggests that preventive wars are not driven by a rising state's commitment problem, but by a rising state's uncertainty how much it has to offer in order to appease a declining state. This line of reasoning raises the question whether Lee's military strategy theory of preventive war even requires the anticipation of power shifts to apply.

Lee's (2008) claim that the rising states' fears that "too generous compensation may encourage further blackmail" (22) also decrease opportunities for diplomacy also reflect an odd interpretation of the strategic implications of power shifts. Since the bargaining leverage will change in favor of the rising state, a declining state's ability to

extract further concessions will decrease rather than increase over time. Hence, contrary to Lee's claim, rising states have little reason to fear further blackmail if they decide to compensate a declining opponent at the beginning of a power shift.

One of the strongest arguments in the conflict literature claims that a declining state's *regime type* plays a decisive role for the question of whether an anticipated power shifts will result in prevention or not. Shortly after World War II, George F. Kennan, for instance, concluded that a "democratic society cannot plan a preventive war" (47) because "it leaves no room for conspiracy in the great matters of state" (47). Hans Morgenthau (1948) came to the same conclusion but argued that democracies refrain from launching preventive wars because they are "abhorrent to democratic public opinion" (155). In a similar vein, Bernard Brodie (1965) noted that a preventive war is an unrealistic policy for the American democracy because "war is generally unpopular, and the general mood inclines to support really bold action only in response to great danger" (236). For Henry Kissinger "there has always been an air of unreality" (cited in Brodie 1965, 228) about preventive war because it was "so contrary to the sense of the country and constitutional limits within which American foreign policy must be conducted" (228).

The most systematic discussion of the effect of regime type on the probability of preventive war is offered by Schweller (1992). Schweller's core hypothesis is that "only nondemocratic regimes wage preventive wars against rising opponents. Declining democratic states [...] do not exercise this option" (238). Schweller argues that the democratic distaste for prevention is due to both normative and institutional constraints. With respect to normative constraints, Schweller notes that the public "conceives

international politics as an extension of liberal domestic society” (248) and generally rejects the notion of a “Hobbesian state of nature, in which, for reasons of self-preservation, all states have a right to fight” (248). According to Schweller, this “liberal complaisance” (244) results in a lack of public support for preventive wars that “require universal conscription, an increased tax burden to support rearmament, conversion to a wartime economy, and the loss of many lives” (242). The democratic institutions of checks and balance, political transparency and competition further decrease democratic leaders’ ability and willingness to wage preventive wars. While nondemocratic leaders may ignore the preferences of the average citizen, democratic leaders will refrain from waging preventive wars because it would jeopardize their political future.

Schweller (1992) makes an important qualification to his argument by pointing out that “the pacific effect of public opinion is somewhat contingent, however, on the expectation that the war will be costly” (248). If democracies expect a cheap victory because they are facing a much weaker opponent, then “there is no reason to believe that public opinion will make democratic states more pacific than nondemocratic states” (241). Notably, Schweller’s qualification that his democratic restraint-hypothesis only applies “to power shifts between states of roughly equal strength” (248) is often ignored by scholars who misconstrue Schweller’s argument to suggest that democracies never fight preventive wars (see e.g., Elman 2000, 92; Lynn-Jones 1996, xxxii; Mansfield and Snyder 1995, 21; Walt 1999, 40).

In terms of empirical evidence Schweller (1992) presents “a list of all Great Power preventive wars” (252) between 1665 and 1945, which suggests that only non-democratic states have waged preventive wars. Furthermore, according to Schweller’s

coding of power shifts among Great Powers between 1665 and 1990, declining democracies have generally accommodated rising democracies and tried to form defensive alliance systems against rising nondemocracies. Schweller, however, also discusses two deviant cases where a democracy did take preventive actions: Israel's 1981 attack on Iraq's Osiraq nuclear reactor and Israel's 1982 invasion of Lebanon. Schweller explains these anomalies by pointing out that the "continuous, intense systemic pressure and tragic historical experiences of the Jewish people have shaped Israel's domestic structures in ways characteristic of authoritarian regimes" (267) with the result that "liberal moral values, party politics, pacifist public opinion, and liberal complaisance are largely absent" (267) in Israel.

Efforts by other scholars have produced mixed results for Schweller's core hypothesis that democracies are unlikely to wage preventive war. Lemke's (2003) quantitative analysis shows that democracies with power or military-based preventive motives are generally not less likely to become involved in wars than nondemocratic states. However, additional subsample analyses suggest that democratic states with these motives are less likely to be the originator of wars than non-democratic states. Lemke interprets his findings to be supportive of Schweller's argument because the originator cases "are much more appropriate for evaluating Schweller's hypothesis" (285) as "joining behavior differs from the general war fighting behavior of democracies" (285).

Levy and Gochal (2001-2002; 2004) and Levy (2008) are more critical of the empirical validity of Schweller's hypothesis. They note that Schweller's assertion that declining democracies refrain from initiating preventive wars due their leaders' susceptibilities to the high costs of fighting implies "that democratic states are



substantially less inclined than non-democracies to fight *any* [original emphasis] kind of war” (Levy and Gochal 2004, 5). However, citing Russett (1993) and Ray (1995), Levy and Gochal (2004) point out that at the monadic level, democracies are as likely to wage war as non-democracies. They also point out that the empirical analyses by Lake (1992), Stam (1996), Reiter and Stam (1998; 2002) and Bueno de Mesquita et al. (2003) cast doubt on Schweller’s notion that democracies are militarily ill-prepared to wage effective wars. Furthermore, Levy and Gochal (2004) point out that the examples of Israel’s 1956 Sinai campaign as well as Israel’s 1981 strike on the Iraqi Osiraq reactor contradict the unconditional statement that democracies do not fight preventive wars. Perhaps even more disturbingly, they also note that Israel’s preventive actions in 1956 and 1981 were greeted by significant domestic support, which runs counter to Schweller’s (1992) argument that democratic leaders find preventive wars politically too costly (see also Trachtenberg 2007). Finally, Levy (2008) points out that U.S. political leaders justified the 1990-1991 Persian Gulf War and 2003 Iraq War by highlighting the dangers of an Iraqi nuclear program, which also calls into question the notion that democratic norms and institutions put a severe constraint on their willingness to wage preventive wars, regardless of whether these justifications were sincere or not.

There are additional problems with Schweller’s (1992) approach. One is that Schweller’s approach is ill-equipped to explain the variance among non-democracies’ propensity to take preventive action. Another problem concerns Schweller’s assertion that relative capabilities and costs of fighting are negatively correlated. Schweller emphasizes that “the pacific effect of public opinion is somewhat contingent [...] on the expectation that the war will be costly. Consequently, the argument presented here

concerns only power shifts between states of roughly equal strength; it is not relevant to all power shifts, for example, the case of the relative decline of a large state vis-à-vis a small state” (248). While large ex ante capabilities may have an impact on a state’s costs of fighting, there are good reasons to keep these parameters analytical distinct because (due to domestic political reasons, for instance) not all powerful states will necessarily have low costs of fighting while relatively weak states may not always have high costs of fighting.

At the same time, Schweller’s (1992) theoretical approach also has some distinct strengths. First, Schweller’s conjecture that democracies are less likely to wage preventive wars in the face of power shifts than non-democracies is very straightforward and easily amenable to empirical testing. Second, unlike other explanations of preventive wars, Schweller’s (1992, 251-252) approach acknowledges that declining states may resort to non-violent forms means of prevention, including increasing the size of peacetime forces and forming defensive alliance systems. As will be laid out below, one of the most troublesome shortcomings of the extant literature on preventive wars is its failure to systematically examine rising states’ willingness and ability to avert power shifts through internal and external balancing or diplomatic means rather than through force (see Gilpin 1981 for a partial exception; Schweller 2006).

Theoretical approaches that focus on *leaders’ psychology* constitute a fifth body of literature that attempts to elucidate the conditions under which the anticipation of power shifts leads to preventive action. This literature holds that structural and institutional approaches provide at best incomplete explanations for war and need to be supplemented with an analysis of the “beliefs, psychological processes and personalities

of individual decision-makers” (Levy 2003, 255). While psychological arguments about preventive wars are scattered throughout the literature (Jervis 1976; Lebow 1984; Levy 1987), Renshon (2006) offers the most ambitious effort to provide a comprehensive psychological theory of preventive wars.

Renshon (2006) argues that in order to explain the occurrence of preventive wars, a close examination of a decision-maker’s “motivation, perception, and ultimately, judgment” (16) is required. Specifically, Renshon claims that there are that are six types of beliefs and perception that induce leaders to take preventive action: the perception of a decline in power; an inherent bad faith relationship with the adversary; the belief that a war is inevitable; the belief that there is only a short temporal window in which to act; a situation that is believed to favor offensive action; and zero-sum, “black-and-white” thinking.

For his empirical analysis, Renshon (2006) examines the cognitions of declining states’ decision-makers in three cases where a preventive war did occur (Britain vs. Egypt 1956, Israel vs. Iraq 1981, United States vs. Iraq 2003) and in two cases where preventive actions did not occur (United States vs. the Soviet Union after World War II and India vs. Pakistan 1982-2002). The results only offer poor support for his theoretical expectations: while Renshon finds that four out of six preventive war-inducing beliefs and perceptions were present in the three cases where a preventive war did occur, he also finds that leaders held five of these beliefs and perceptions in the two cases where the declining state did not resort to prevention.

Besides the poor empirical performance of Renshon’s (2006) approach, its biggest weakness consists in its failure to explain the sources of actors’ beliefs and perceptions.

This neglect presents a problem because unless it is shown that leaders' beliefs and perceptions cannot be reduced to material factors, the value-added of psychological factors remains doubtful. Welch (2007) makes a similar point by noting that "surely the important question is not 'What beliefs do leaders have?' but 'Why do leaders have the beliefs that they have?'" (383).

The psychological literature has only recently started to systematically examine the sources of individuals' psychological predispositions. For example, while Jervis (1976), Lebow (1981, 256-263) and Levy (1987, 99) all argue that leaders' (mis)perceptions of the inevitability of a future war may increase a declining state's incentive to resort to prevention, they do not identify the conditions under which leaders will have these perceptions. According to Levy (2003), this is a general shortcoming in the psychological literature: "We know that errors and biases are pervasive, but we do not understand the specific conditions under which they are most likely to arise" (272). While the psychological literature contains several explanatory approaches for leaders' psychological traits, including theories of leaders' personality (Greenstein 1969, Hermann 1980; Hermann et al., 2001; Mondak and Halperin 2008; Post 2004), risk behavior (e.g., Levy 1997; Kahnemann and Tversky 1979; Mercer 2005) and information processing, it seems that these approaches have yet to be integrated into a psychological theory of preventive action.

Moreover, it should be pointed out that it is not clear to what extent the incorporation of psychological concepts such as personality, risk behavior and information processing invalidate rather than complement extant theories of preventive wars, including the theoretical model developed in this dissertation (see Allison and

Zelikow 1999; Kirshner 2000 for a critical view). Interestingly, Weisiger (2008) argues that prospect theory (e.g., Levy 1997), which is arguably the most important psychological theory of risk behavior, does not greatly undermine the core arguments proposed by the bargaining model of war literature. Instead, Weisiger suggests that the logic of commitment problems actually provides a rationalist explanation why actors may find themselves in a “frame of losses” as predicted by prospect theory.

Another important issue concerns the role of information updating. Reiter (2003) argues that psychological approaches challenge the rationalist notion that the revelation of information through signaling will reduce the likelihood of war because they generally maintain that “[l]eaders’ images of other countries as hostile or weak will likely persevere even in the face of credible evidence to the contrary” (34). Weisiger offers a different characterization of the literature and argues that with the exception of confirmation bias, “when active, most biases identified by psychologists will involve if anything an excessive focus on novel information” (27). This implies that settlements may actually occur even more rapidly than the rationalist signaling literature (see e.g., Fearon 1997b; see also below for a review) predicts.

A fifth strain in the informal preventive war literature argues that *normative constraints* play a critical role for states’ and state leaders’ willingness to resort to force in order to avert a detrimental power shift. Writing shortly after World War II, Arnold Wolfers (1946), for instance, remarked that waging a preventive war in order to maintain the American nuclear monopoly was out of the question because the American public viewed this option as “too immoral for serious consideration” (117). Similarly, Alfred Vagts (1956) points out that waging preventive wars constitutes to moral “taboo” (324)

for democracies. So far, with the partial exception of Schweller (1992), Silverstone (2007) and Bzostek (2008) offer the most serious theoretical and empirical efforts to examine the effects of norms on declining states' decisions whether to take preventive action.

Silverstone's (2007) analysis examines whether and to what extent preventive war "has been seen a normatively prohibited strategic option in the American political system" (18). Silverstone distinguishes among four arguments that have been used to bolster the persuasiveness of the anti-preventive war norm in the American foreign policy discourse: first, that preventive wars are wars of aggression and hence illegitimate; second, that international disputes can almost always be solved through nonviolent means; third, that the initiation of a preventive war would set precedents for other states to also wage preventive wars, perhaps even against the United States; and fourth, that a preventive war undermines America's reputation and moral authority among other states.

Silverstone (2007) examines the evolution of the anti-preventive war norm and its impact on U.S. foreign policy between 1945 and 2003. He finds that until the 1960s, the anti-preventive war norm was so deeply ingrained in the American political elite that "it openly challenged American leaders to find different ways to protect the United States as its adversaries grew in relative capabilities" (190). During the 1960s and early 1990s, the anti-preventive war norm slowly began to erode as the ideas that the proliferation of nuclear weapons and the existence of "rogue" states present grave security threats to the United States became more prominent. Silverstone argues that it was this "more 'permissive normative order' that paved the way politically within the United States for the second war against Iraq" (190).

Although Silverstone offers an extremely detailed examination of how American political leaders invoked normative considerations in their decision-making process on how to respond to shifts in power, his analysis suffers from two major shortcomings. First, his consideration of alternative material explanations for U.S. foreign policy remains inductive and casual. It seems that Silverstone could have advanced a more compelling case that normative constraints did make a difference and were not simply invoked by leaders to legitimize political decisions to a domestic and international audience that were in fact based on material constraints and opportunities.

Second and relatedly, Silverstone's analysis lacks a theory of normative change. While Silverstone carefully traces the evolution of the anti-preventive war norm, he does not explain why it was eventually superseded by concerns with the proliferation of weapons of mass destruction and the preoccupation with the security threats posed by rogue states. This neglect is problematic, because it leaves Silverstone's argument vulnerable to the claim that foreign policy norms are merely reflections of materially driven security imperatives.

Bzostek (2008) also offers an analysis of the impact of normative and legal considerations on declining states' decisions to take preventive action. Bzostek examines three cases: Israel's 1981 strike on the Iraqi Osiraq reactor, the U.S. naval quarantine of Cuba in the fall of 1962 and the U.S. decision not take preventive actions after hearing reports of the construction of Soviet submarine bases in Cienfuegos, Cuba in 1970. She finds "mixed results as to the constraining role of international law and the just war tradition with respect to distant threats and the use of anticipatory military activities" (182). With respect to the Osiraq crisis, she notes that normative constraints encouraged

Israeli leaders to find a diplomatic solution, but that they did not suffice to persuade them to abstain from a preventive strike. During the Cuban missile crisis, Bzostek finds that “the members of the ExCom were influenced, again at to least to some extent, by both legal and normative traditions” (182), but concludes that it is hard to determine whether they were decisive for the ultimate policy outcome. Finally, Bzostek notes that “perhaps the most interesting outcome” (182) is that in the Cienfuegos crisis, “legal or normative elements appeared to play no role at all” (182) in the decision to refrain from taking preventive action.

In sum, the extant normative constraints literature falls short of presenting a compelling case that normative or moral considerations provide the key to understanding declining states’ willingness to take violent preventive action. Differently put, there is little evidence to conclude that normative and moral concerns routinely override more materially driven cost-benefit calculations of declining states. However, this does not mean that normative concerns are irrelevant. The theoretical model developed in this dissertation is open to the possibility that states’ or state leaders’ normative constraints may constitute an important component in their estimation of the costs of taking preventive action. Normative constraints may certainly reduce a declining state’s utility for preventive action, but it seems that additional cost factors as well as parameters such as the expected size of a power shift have to taken into account in order to predict whether declining states will resort to prevention or not. This line of reasoning can perhaps help explain why leaders may feel genuinely constrained by normative considerations, but nevertheless decide to take preventive action as was the case in Israel in 1981 according to Bzostek (2008).



## 2.2 Formal Approaches

In recent years, scholars have started to think about power shifts and preventive wars within a rationalist bargaining framework (Fearon 1995; Powell 2002; 2004; 2006; see also Kim and Morrow 1992). The core idea of the “bargaining model of war” literature (see Reiter 2003 for a review) is that states can solve disputes in two basic ways: states can either try to negotiate an agreement or they can fight. Given that fighting is always inefficient because it consumes lives, money and materiel, the bargaining model of war identifies a puzzle that all theories of war should answer: “[W]hat prevents states in a dispute from reaching an *ex ante* agreement that avoids the costs they know will be paid *ex post* if they go to war?” (Fearon 1995, 384).

The existence of commitment problems is one of the answers that the bargaining model literature provides to explain why states forgo an efficient bargaining solution and instead incur the costs of war (Fearon 1995; Reiter 2003; Wolford, Carrubba and Reiter 2008; see Reiter 2009 on commitment problems and war termination). Commitment problems refer to a state’s inability to make a credible promise not to fully exploit its bargaining leverage in order to achieve a favorable settlement of a contested issue such as the location of an international border (Fearon 1995).

Power shifts constitute a key reason why states may face commitment problems because they alter states’ expected utilities for going to war over a contested issue. Since a state’s probability of winning a fight and obtaining a contested good (e.g., a piece of territory) depends to a large extent on its relative capabilities, it is easy to see that (all else equal) a state’s expected utility for waging war increases as its relative capabilities grow. Importantly, a growth in relative capabilities will also increase a state’s demands over the

distribution of the disputed good at the negotiation table because it can always resort to force if its opponent fails to cede enough of the good in question. The observation that states cannot credibly promise to accept a negotiated deal that produces a lower payoff than they could achieve by using force is at the heart of the notion of commitment problems.

Whether a power shift produces commitment problems that result in preventive war depends on the size of a power shift. When faced with a rising state, a declining state has two basic behavioral options: it can try to accommodate a rising state's increasing demands by making a sufficiently generous offer to redistribute the contested good or it can try to avert a detrimental power shift by taking preventive action. Generally, a declining state will accommodate a rising state that experiences a small gain in power by ceding part of the good because its demands will increase only moderately. However, if a rising state's anticipated power shift and its future demands are sufficiently large, a declining state may find it rational to take preventive actions in order to forestall a rising state's gains in power (Fearon 1995; Powell 2004; 2006).

In the bargaining model, the costs of fighting a preventive war determine whether a given power shift is large enough to prompt a declining state to resort to prevention. Although the speed of a power shift and the rising and declining states' patience also play a role, the core prediction of formal commitment problem models is that power shifts will only result in preventive wars if their size exceeds the so-called "bargaining range" which equals a rising and declining states' combined costs of fighting (Fearon 1995; Powell 2004; 2006). Hence, if the costs of fighting are high, declining states will tolerate even

relatively large power shifts. Conversely, even seemingly small power shifts can elicit prevention when the costs of fighting are low.

It is worth noting that rationalist “war as a commitment problem” models do not present a radical departure from the informal literature reviewed above. Instead, they offer a distillation of the idea that power shifts may create commitment problems for rising states which, in turn, induce declining states to take preventive action. Relatedly, the critical roles of the size of an impending power shift (e.g., Copeland 2000, 20; Snyder 1985, 160; Van Evera 1999, 87) and rising and declining states’ costs of fighting (Lee 2008; Schweller 1992, 248; see also Levy 1983, 148-149) for the likelihood of preventive action have been noted before. Furthermore, the bargaining model supports Copeland’s (2000) contention that preventive war is not due to a declining state’s “unit-level aggressive designs” (22) but due to “its fear of inevitable and profound decline” (22). In the bargaining model, states are generally peace seeking because they are assumed to always incur costs of fighting: declining states only fight if their fears of the consequences of a relative decline override their pacifist inclinations.

While the bargaining model literature does not revolutionize the extant informal thinking about preventive wars, it offers a greater degree of theoretical precision, parsimony and flexibility. Specifically, insofar as informal arguments on how system polarity, military strategy, regime type or norms affect the probability of preventive strikes and wars are essentially arguments about varying costs of fighting, the bargaining model can incorporate a great deal of the informal literature on preventive wars. For instance, the bargaining model agrees with the probabilistic version of Schweller’s argument that democracies are less likely to take preventive action than non-democracies

if one assumes that democracies generally incur higher costs of fighting than non-democracies. Similarly, insofar as one assumes that the presence of strong anti-preventive war norms or a multipolar system increase a declining state's costs of fighting, the bargaining model also supports Silverstone's (2007) and Copeland's (2000) arguments.

Although the bargaining model of war framework offers several theoretically attractive properties, Fearon's (1995) and Powell's (2002; 2004) commitment problem models are not free from problems. First, both Fearon's (1995) and Powell's (2002; 2004) formal treatments rest on the assumption that actors have complete information over the size of a power shift. However, as laid out by Copeland (2000) and Reiter (2006a; see also further below), in many cases rising states have incentives to conceal the size of their expected gain in relative capabilities. This, in turn, suggests that declining states' decision whether to take preventive action may be more complicated than Fearon's (1995) and Powell's (2004; 2006) models suggest.

Second, although Fearon's (1995) and Powell's (2004; 2006) models focus on the behavioral incentives and the strategic interaction of rising and declining states, they rule out the possibility that rising states will actively try to avert being subjected to preventive action. This neglect is surprising, because the assumption that states incur costs of fighting suggests that both declining and rising states could benefit from efforts to avoid violent preventive actions.

Third, Fearon's (1995) and Powell's (2004; 2006) approaches portray declining states' behavioral options in stark terms: when anticipating power shifts, declining states can either bargain or take violent preventive actions. However, declining states often have additional means of averting detrimental power shifts at the disposal, ranging from

internal balancing (such as increasing defense expenditures and building arms) and external balancing (forging alliances) to non-violent preventive actions such as economic sanctions and arms embargoes and violent preventive actions such as limited preventive strikes on weapons facilities. While a theory of preventive war should ideally account for these alternative means of averting power shifts, it seems difficult to generalize over the cost effectiveness of these individual options. For instance, while one could assume that external balancing is generally less costly than waging a preventive war, a declining state may still opt for the latter if there are no reliable and powerful alliance partners available.

In the following chapters, extant formal commitment problem arguments will be used as a conceptual starting point to build a novel theory of preventive action. This theoretical approach seeks to rectify the three weaknesses of extant formal models on power shifts and commitment problems identified above. First, it relaxes the assumption that declining states can perfectly predict the size of power shift and with it, the severity of a rising state's commitment problem. Second, it allows rising states to take actions in order to reassure their declining opponents that they will not face a significant commitment problem in the future. The core argument that emerges from these two modifications is that states that are suspected of experiencing a significant gain in capabilities can and often will avert preventive action by reassuring their declining opponents. Because of this dynamic, the theoretical model developed in this dissertation claims that power shifts are less likely to result in violent preventive action than the previous literature suggests. As such, this dissertation also offers an explanation for the empirical finding that "narrowing power differentials do not usually lead to preventive strikes" (Levy 2008, 2).

Third, the theoretical model offers a more liberal interpretation of preventive action. While the model maintains Fearon's (1995) and Powell's (2004; 2006) assumption that taking preventive action is costly, it does not assume that waging a preventive war is a declining state's only or most preferred mode of averting a detrimental change in relative capabilities. Instead, it assumes that a declining state has a portfolio of preventive actions at its disposal and that it will prefer to use the most cost-effective option. Whether this option is preventive war, a preventive strike or a non-violent type of prevention such as imposing embargoes or sanctions is treated as an empirical question. Note that this conceptual move broadens the empirical scope of the theoretical model because it can be used not only to predict preventive wars but also less extreme, albeit inefficient means of prevention.

### **2.3 Summary**

The notion that fears of a detrimental power shift equip declining states with preventive motivations is widely accepted in the conflict literature. At the same time, there is a lively debate on the conditions under which these motivations will actually result in preventive strikes and war. The formal and informal conflict literature offers numerous approaches to answer this question, highlighting the role of the size and speed of power shifts, states' costs of fighting, the distribution of ex ante capabilities, system polarity, offense-defense balance, military strategy, regime type, leaders' psychology and normative constraints.

Despite these theoretical efforts, the onset of violent preventive action remains poorly understood. While the conflict literature contains numerous case studies that

explore the link between power shifts and violent preventive action, the resulting empirical evidence is at best suggestive. Quantitative analyses of the impact of preventive motivations on the probability of violent conflict are surprisingly rare and yield inconclusive results as well. While the studies reviewed by Geller and Singer (1998) as well as Wayman's (1996) empirical examinations support the contention that power shifts increase the probability of war, they do not control for the identity of the initiator (see also Bennett and Stam 2004). By distinguishing between declining and rising states, Lemke's (2003) study corrects for this shortcoming and finds that states are not statistically more likely to initiate wars prior to decreases in relative capabilities. Although Lemke reports that "more than one-third of COW wars were originated by initiators declining relative to their targets" (288) he also points out the "those 32 instances are a tiny fraction of the opportunities for declining states to wage preventive war" (288). However, Lemke's results do offer support for Schweller's (1992) hypothesis that democracies in decline are less likely to initiate wars than non-democracies in decline.<sup>1</sup>

While the dearth of systematic empirical work constitutes a major shortcoming of the scholarship on preventive wars, the preceding literature review argues that the core weakness of the preventive war literature is of a theoretical nature. Both the extant formal and informal literature tacitly assumes that allegedly rising states will remain passive when confronted with the prospect of being subjected to preventive action. However,

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<sup>1</sup> While Lemke's (2003) non-findings results are important, they should be regarded as preliminary. The main problem with Lemke's analysis is that it relies on actual changes in the Composite Index of National Capability (CINC) scores to assess the degree of declining states' preventive motivations. This operationalization potentially biases the results in favor of the null hypothesis as it excludes cases where (a) preventive wars occurred due to anticipated changes in military technology, e.g., the acquisition of weapons of mass destruction; (b) preventive wars were largely driven by misperceptions; and (c) preventive wars were successful and actually forestalled a change in relative capabilities.

since prevention imposes costs on allegedly rising states, they should be highly motivated to persuade their opponents to refrain from prevention. Furthermore, since taking preventive action is also costly for declining states, they should welcome declining states' efforts to reduce their fears of a future power shift and make a bargaining solution possible. Hence, power shifts may be associated with strong self-stabilizing dynamics that the extant literature on preventive strikes and wars has so far ignored. The idea that rising states will not ignore preventive motivations, but respond to them also offers a possible explanation for the empirical finding that "narrowing power differentials do not usually lead to preventive strikes" (Levy 2008, 2).

In the following chapters, I will lay out the argument that rising states can and will avert preventive action by reassuring their declining opponents that they do not have to fear future commitment problems. In order to develop this argument, I will rely on and modify three prominent ideas from the bargaining model of war literature: first, that power shifts may create commitment problems for rising states which, in turn, induce declining states to take preventive action; second, that declining states are often uncertain of the precise extent of their decline; and third, that states can try to manipulate conflict situations by sending certain types of "signals." In the next chapter, these ideas will be discussed informally. Chapters 4 and 5 explore these ideas within a series of formal models that examine rising and declining states' strategic interaction in the face of power shifts. These models are designed to examine not only when and how rising states' will reassure declining states, but also how effective rising states' efforts to avert prevention are if they do decide to engage in a strategy of reassurance.



### **3 Power Shifts, Preventive Action and the Role of Reassurance**

This dissertation offers a game-theoretic framework that seeks to explain the conditions under which power shifts will induce declining states to take preventive actions against rising states. The core argument advanced in this dissertation holds that the anticipation of significant power shifts rarely results in preventive action because rising states have strong incentives to convince their declining opponents to refrain from preventive action. Since the extant literature on preventive wars neglects this self-stabilizing property of power shifts, the theoretical argument laid out below suggests that the extant scholarship tends to overpredict the occurrence of preventive wars and strikes.

The presentation of the theoretical framework proceeds in two steps. This chapter lays out theoretical model's three major conceptual building blocks which are largely derived from the bargaining model of war literature (see Fearon 1995; Reiter 2003): *(i)* that power shifts may create commitment problems for rising states which, in turn, tempt declining states to take preventive action; *(ii)* that rising states have incentives to misrepresent the extent of their anticipated gains in relative capabilities; and *(iii)* that acts (or signals) of reassurance may help rising states reduce declining states' temptation to take preventive action. This chapter offers a largely informal discussion of these ideas, which are examined in more depth in the formal analyses presented in chapters 4 and 5.

### 3.1 Power Shifts and Commitment Problems

Formal “war as a commitment problem” models (Fearon 1995; Powell 2004; 2006) provide the first building block for the theoretical framework developed in this dissertation. As laid out in the previous chapter, these treatments emphasize that power shifts increase a rising state’s bargaining leverage in the future and hence its demands over a contested issue, e.g., the distribution of a piece of territory. Anticipating a rising state’s increasing demands, a declining state may find it rational to take costly preventive action to forestall a change in relative capabilities if the size of the power shift exceeds the bargaining surplus.<sup>1</sup>

The logic of this argument can be fleshed out with the following numerical example. Suppose that state A is in possession of a piece of territory to which it attaches a value of 1. Furthermore, assume that state A’s relative capabilities have a value of  $p=.4$ , which means that state A has a probability of .4 of defending the territory if war breaks out. If state A decides to use force it will also incur some costs of fighting  $c_A=.1$ . Thus, if state A fights with state B over the piece of territory, it will obtain an expected utility of  $EU_A(\text{fight before power shift})=p-c_A=.3$ . State B, on the other hand, will win a fight with a probability of  $1-p=.6$  and incur costs of fighting  $c_B=.1$ , resulting in an expected utility of  $EU_B(\text{fight before power shift})=.5$ .

Let us now suppose that state A and state B expect their relative capabilities to shift by a value of  $\Delta=.3$ , leaving the declining state A with  $p-\Delta=.1$  and the rising state B with  $1-p+\Delta=.9$  in the future. Importantly, state A knows that when it allows for such a power shift to occur, the state B’s expected utility for fighting over the contested good

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<sup>1</sup> Note that this characterization simplifies Fearon’s (1995) and Powell’s (2004; 2006) models which also take state’s patience/concern with future payoffs and the speed of a power shift into account.

will increase to  $EU_B(\text{fight after power shift}) = 1 - p + \Delta - c_B = .8$ . For state A this means that that it has to offer at least  $x = .8$  of the territory in order to accommodate state B, leaving state A with a utility of  $U_A(\text{accommodate state B}) = .2$ . Note that offering less than  $x = .8$  is even worse for state A, because this would induce state B to fight over the good, resulting in an expected utility of only  $EU_A(\text{fight after power shift}) = p - \Delta - c_A = .1$ . Given the bleak outcome of a fight after a power shift, state A clearly prefers to launch a preventive strike in order to forestall the power shift (i.e., destroy  $\Delta$ ) and with it, the increase in state B's demands. Although it is inefficient, the decision to fight a preventive war leaves state A better off as it results in  $EU_A(\text{fight before power shift}) = .3$ , while accommodating state B leaves state A only with  $U_A(\text{accommodate state B}) = .2$ .

Besides illuminating the power shift-commitment problem-preventive war mechanism, this numerical example also helps demonstrate why a power shift whose size remains below a rising and declining state's bargaining surplus  $c_A + c_B = .2$  does not result in preventive action. If the power shift in favor of state B is, say, only  $\Delta = .1$ , state B's reservation price for accepting an offer after a power shift will only increase to  $.6$ , leaving state A with an expected utility of  $.4$  for making an acceptable offer, which is clearly preferred to  $EU_A(\text{fight before power shift}) = .3$ .

Furthermore, this numerical example uncovers two simplifying assumptions of the theoretical model proposed in this dissertation that deserve some justification. The first one is that declining states' only option to avert a detrimental power shift is to take costly preventive action. This assumption is not unproblematic because declining states will often have a variety of options in order to avert a change in relative capabilities. Most importantly, states may avert a detrimental change in relative capabilities by

internal or external balancing, for instance by increasing their arms spending or building alliances (see Copeland 2000; Schweller 1992; 2006). Furthermore, states that fear a relative decline may pursue preventive actions by other non-violent means, for instance, by imposing arms embargoes or other diplomatic sanctions in order to dissuade rising states from trying to increase their relative capabilities (Reiter 2006a). Interestingly, these alternative options are barely noted in the preventive war literature, with Schweller (1992), who links a declining state's preferred mode of prevention to regime type, being a notable exception.

The model developed in this dissertation also abstracts away from the fact that states may have different types of preventive actions at their disposal. Instead, it assumes that declining states can either take some costly preventive action or try to find a bargaining solution, which entails the toleration of a power shift. While this simplifying assumption may not be ideal, it seems justifiable because the model is designed to elucidate how the prospect of being subjected to preventive action induces rising states to reassure declining states. Whether preventive action entails an all-out war, a limited strike or non-violent diplomatic action is not critical for this dynamic as long as the preventive action in question involves some costs as assumed by the model. Although the subsequent discussion will frequently refer to "costs of fighting" in order describe in the inefficiency of preventive action, the usage of this standard terminology is not intended to deny the existence of costly, but non-violent means of prevention.

The assumption that preventive action will always result in the complete elimination of a power shift also deserves a few comments. Often declining states find themselves in a situation where even a significant effort will avert a power shift only

partially or marginally. For instance, according to Reiter (2006a) the “historical record reveals that limited strikes on NBC programs are generally ineffective” (v) for averting power shifts, while preventive action that involves a forced regime change may occasionally be successful (Reiter 2006b). However, for preventive actions to constitute a rational choice for declining states, such actions do not have to be entirely successful. What matters is their cost-benefit-ratio as partially effective preventive actions may be worthwhile if their costs are sufficiently low. While it is certainly possible to explicitly model varying success rates of preventive action, the assumption that preventive action will completely eliminate an impending power shift for a given effort is technically more convenient and does not affect the fundamental dynamics of the model.

### **3.2 Power Shifts and Uncertainty**

The second conceptual building block of the theoretical model developed in this dissertation consists of the assumption that power shifts are associated with significant degrees of uncertainty. More to the point, the model in this dissertation assumes that declining states are aware that a detrimental power shift may occur, but are uncertain of the exact size of a power shift. Hence, with respect to the informational environment, the model developed in this dissertation extends Fearon’s (1995) and Powell’s (2004; 2006) approaches which assume that rising and declining states have complete information over all parameters that affect their utilities, including the size of the power shift. Relaxing the assumption of complete information complicates a declining state’s decision whether to take preventive action because it is uncertain whether a power shift will be sufficiently

large to warrant such an action or not. As will be shown in chapter 4, the assumption of asymmetric information makes the anticipation of power shifts even more dangerous as potentially declining states will frequently resort to preventive action against opponents that are wrongly suspected of experiencing a significant gain in relative capabilities.

While the assumption of complete information over power shifts in Fearon's (1995) and Powell's (2004; 2006) models is very useful for heuristic purposes, there are good reasons to believe power shifts are usually associated with significant degrees of uncertainty. Because rising states that expect to experience significant gains in relative power - for instance through the acquisition of weapons of mass destruction or innovations in military technology - should have strong incentives to keep their expected gains in relative capabilities secret in order to avoid preventive action, declining states may find themselves guessing whether and what extent their suspicions of an impending power shift are warranted.

The informal literature on power shifts and preventive war advances similar claims. Copeland (2000), for instance, points out that "rising states have every incentive to misrepresent their intentions as peaceful to reduce the possibility of preventive attack" (22), which means that declining states will "have a hard time sorting out those states that are genuinely peaceful from those that are not" (22). Similarly, Reiter (2006a) argues that poor intelligence about nuclear, biological, and chemical (NBC) programs constitutes a fundamental problem for states that are contemplating a preventive attack: "Collecting quality intelligence about other states' NBC programs is extremely difficult, since such states obviously place very high priority on keeping the existence and progress of these programs secret" (3). Empirical examples that illustrate this argument include the

American unawareness of the Japanese nuclear program during World War II, the massive, but undetected Soviet biological weapons program during the Cold War, as well as the failure of U.S. intelligence agencies to predict the timing of the Soviet, Chinese, and Indian nuclear tests (see also Reiter 2006a).

The formal models spelled out in chapters 4 and 5 incorporate the idea that declining states have difficulties estimating the extent of a rising state's commitment problem through the assumption that declining states will be suspicious that a detrimental power shift may occur, but are uncertain over the exact magnitude of that power shift.<sup>2</sup> This assumption is based on the idea that rising states' efforts to hide impending power shifts will only be partially successful due to declining states' active intelligence efforts and the possibility that some information over an impending power shift is observable or will be leaked. Furthermore, the models assume that declining states can at least roughly estimate the distribution of relative capabilities prior to a power shift. As will be shown in chapters 4 and 5, rising states' ability to distinguish between ex ante powerful and ex ante weak opponents is critical for their estimation of the severity of a power shift. Since rising states with low ex ante capabilities may by definition undergo much larger gains in relative capabilities than rising states that are relatively powerful to begin with,

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<sup>2</sup> While the assumption that declining states will be uncertain over the size of an impending power shift is meant to reflect decision-makers' vexation whether to take preventive action or not, it certainly does not apply to all situations in which states contemplate preventive action. Perhaps most importantly, the assumption that declining states are uncertain of the size of a power shift is hard to sustain when the sources of a decline is internal, for example due to the weakening of the economic or demographic foundations of military capabilities or conscious decisions to reduce military assets. At the same time, it seems unlikely that states will contemplate preventive action when the source of their decline is purely internal. As pointed out by Powell (1999, 133; 2004), the per-period change in the economic and demographic foundations of relative capabilities is typically too slow to make violent preventive action rational. Furthermore, Powell's (1993) "guns-and-butter" discussion suggests that even under tight budget constraints states will maintain a minimum of military assets to make sure they will not be exploited by opponents. Differently put, it is hard to see why states would voluntarily reduce their military capabilities in way that would warrant a preventive strike.

the distribution of the ex ante capabilities provides an important clue for rising states how large a power shift may be.

While it makes intuitive sense that rising states may want to hide or play down their anticipated gains in relative capabilities, it should be noted that sometimes rising states may also have incentives to exaggerate their gains in relative capabilities in order to obtain a more generous compensation offer. As will be shown in chapter 4, rising states should only have an incentive to exaggerate the size of their power shift when the costs of fighting are rather high and the pretension of a relatively large gain in power will not provoke preventive action.

The notion that asymmetric information over reservation prices constitutes a pertinent feature of international relations due to states' incentives to misrepresent their private information constitutes a staple of the rationalist conflict literature (Fearon 1995). However, so far most of the work on states' willingness to hide their true willingness to fight has been examined in the context of deterrence and compellence, i.e., in situations where state A tries to convince state B that its threats to use force in order to defend or obtain a disputed good are credible. Because state A has a strong incentive to exaggerate its true level of resolve in order to induce its opponents to give in, state B will generally be uncertain over states A's true willingness to fight. In determining its response to state A's threat or demand, state B faces two competing incentives: while state B wants to avert a costly conflict escalation, it also wants to avoid overpaying state A-types that only pretend to be resolute.

States' incentives to misrepresent their private information over their willingness to fight are widely believed to be a central reason why states end up in a violent conflict.



As Fearon (1995) and Powell (1999) have shown, states balance their opposing incentives of avoiding a costly conflict and overpaying irresolute opponents not by playing it safe and issuing a generous offer that is certain to be accepted, but by making a somewhat stingy risk-return offer which includes a positive probability of being insufficient to appease state A. It is the optimality of these risk-return offers that explains why asymmetric information can lead rational actors to wage war.

In order to lay out the reasoning behind this argument, let us first consider a situation in which two states bargain over a contested good but have complete information over each other's reservation prices. Assuming that other causes of war (such as commitment problems) are absent, the prediction of the bargaining model of war literature is that states will always arrive at a negotiated agreement because the costs of fighting will suffice to deter them from fighting (Fearon 1995). Suppose state A is in possession of a good (such as a piece of territory) which is valued 1 and that its relative capabilities  $p=.3$  and that its costs fighting  $c_A=.1$ . Furthermore, assume that state B's relative capabilities  $1-p=.7$  and its costs of fighting  $c_B=.1$ . Since state A is in possession of the good at the outset of the game, its utility for the status quo is  $U_A(\text{status quo})=1$ , while state B's utility is  $U_B(\text{status quo})=0$ . Considering state B's expected utility for fighting, which is  $EU_B(\text{fight})=1-p-c_B=.6$ , there are good reasons for state A to expect that state B will challenge the status quo in order obtain part of the good. For state A, an attack by state B would of course result in a dramatic loss of utility because defending the good would result in  $EU_A(\text{defend})=p-c_A=.2$  for state A. However, instead of fighting, state A can voluntarily cede part of the good. Given state B's expected utility for fighting,

state A knows that it can avert an attack by offering  $x=.6$  of the good, leaving state A with  $U_A(\text{offer } x=.6)=.4$ , which is clearly preferred to suffering an attack.

In order to examine the effect of asymmetric information, let us modify the preceding example by supposing that state A is uncertain over state B's expected utility for war because it is ill-informed over state B's costs of fighting. Specifically, let us assume that state A believes that there is a 50/50 chance of facing one of two state B-types: an irresolute type with high costs of fighting  $c_{high}=.5$  and a resolute type with low costs of fighting  $c_{low}=.1$ . Given the parameters above, the irresolute type would accept an offer equal to or larger than  $x=.2$ , while the resolute type would require an offer of at least  $x=.6$  in order to be appeased. What will state A do? If state A does not make an offer, both types will fight in order to obtain the prize, leaving state with an expected utility of  $EU_A(\text{defend})=p-c_A=.2$ . By contrast, if state A makes a generous offer of  $x=.6$  which both state B-types would accept, it will obtain a utility of  $U_A(\text{offer } x=.6)=.4$ . However, state A can do even better by offering only  $x=.2$ . Given the distribution of types, there is a 50 percent chance that state B will accept this offer and a 50 percent chance that state B will reject this offer and fight, leaving state A with its highest expected utility of  $EU_B(\text{offer } x=.2) =.5(.8)+.5(.2)=.5$ . The fact that state A maximizes its utility by making such a risk-return offer is what explains why bargaining may break down in the face of uncertainty over reservation prices.

While the causes and consequences of asymmetric information have received a lot of attention in the conflict literature (see also Leventoglu and Tarar 2008; Reed 2003), this literature typically treats asymmetric information and commitment problems as separate issues. However, as Powell (2006, 194) points out, "many situations are likely to

combine significant informational and commitment problems” (194). Similarly, Fearon (1995) notes that states can “have an incentive to conceal their capabilities or resolve, if they are concerned that revelation would make them militarily (and hence politically) vulnerable” (395), but does not analyze the strategic implications of situations in which states are uncertain over their adversary’s commitment problems.

Powell (1999; see also Powell 1996) constitutes an important, albeit partial exception to the dearth of formal work on the combined effects of commitment problems and asymmetric information on the initiation of war (see also Fearon 2007 as well as Wolford, Carrubba and Reiter 2008). The reason why Powell’s (1999) model remains limited is that it examines only “small” power shifts, i.e., power shifts whose size is smaller than the costs of fighting. According to Powell, the purpose of this assumption is to bring “informational problems inherent in a shift in power to the fore by pushing commitment issues to the background” (133). While instructive, the assumption that a power shift will be smaller than the costs of fighting is unsatisfying because it a priori rules out the possibility that declining states will resort to prevention.<sup>3</sup>

By contrast, the models developed in this dissertation do not privilege informational problems over commitment problems by allowing for both “small” and “large” power shifts. Because of this, the models developed in this dissertation also come to a different conclusion with respect to the main effect of adding uncertainty to situations in which states expect power shifts: while Powell’s (1999) formal analysis suggest that uncertainty will increase the probability that the rising state will resort to war after a power shift, the models presented below suggest that uncertainty increases the

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<sup>3</sup> Powell justifies his assumption by noting that his “substantive focus [...] is on long-run shifts due to differential rates of economic growth and development” (133), not on more rapid power shifts driven by changes in military technology.

probability that a declining state will take preventive action. The reason for this is simple: while declining states will only target rising states that are certain to experience large gains in relative capabilities under conditions of complete information, they will also attack rising states that *might* face large gains in relative capabilities under conditions of incomplete information.

### **3.3 Power Shifts and Reassurance**

The third conceptual building block of this dissertation's theoretical approach holds that states that are suspected of experiencing a significant gain in relative capabilities may want to take actions to forestall prevention. States have strong incentives to avert preventive action to avoid the costs of fighting and see potential gains in their relative capabilities materialize. *Prima facie*, the idea that preventive strikes and wars are driven by declining states' fears that a rising state will encounter commitment problems suggests that rising states may be able to avert preventive action if they reassure their declining opponents that they will not exploit potential gains in relative capabilities.

While ideas on why and how states may want to take reassuring actions in conflict situations are scattered throughout the literature (Etzioni 1962; Glaser 1997; Jervis 1989; Maoz and Felsenthal 1987; Osgood 1962; Stein 1992; see Montgomery 2006 for a review and critique), the role of reassurance has barely been examined in the context of power shifts. As laid out above, neither the informal nor the formal conflict literature has seriously examined the idea that reassurance may help avert preventive action. While Kydd's (1997a) work contains some important clues on how states may resolve security-

dilemma type situations through means of reassurance, he largely dismisses the contention that declining states' fears of rising states' future intentions may result in preventive wars in the first place. Furthermore, there is barely any work that examines and compares different types of reassuring actions and advances concrete predictions on the circumstances under which allegedly rising states feel compelled to resort to reassurance (see Glaser 1997 for a partial exception).

Hence, a major aim of this dissertation is to elucidate when and how potentially rising states may want to reassure declining opponents in the face of power shifts and to predict how effective their efforts to avert prevention through reassurance will be. In order to develop a suitable theoretical framework, this literature relies on the crisis signaling literature (see Fearon 1994; 1997b for the seminal pieces; Slantchev 2005; see also the citations below). While this literature is concerned with the question of how states can communicate and establish high levels of resolve for the purposes of deterrence and compellence (see e.g., Bueno de Mesquita and Lalman 1992; Jervis 1989; Kilgour and Zagare 1991; Morrow 1989, Nalebuff 1986; 1991; Powell 1987; 1988; 1990; Schelling 1960; 1966), its logic can essentially be reversed in order to conceptualize rising states' efforts to reassure their declining opponents that they do not expect a significant commitment problem. The recent literature on signaling in conflict situations distinguishes among three types of actions that states can take in order to convey their reservation prices: sending sunk cost signals, audience-cost-based signals (Fearon 1994; 1997b) and security-related tying-hands signals (Slantchev 2005). In the following, I will lay out the logic of these signals in their original deterrence and compellence context and

will then discuss how potentially rising states may use these types of signals in order to reassure their opponents in the face of power shifts.

While this dissertation is primarily interested in the occurrence and effectiveness of gestures or signals of reassurance in the face of power shifts, it should be emphasized that these signals are modeled as an option. Importantly, the model also allows rising states not to send any signal at all or use sunk cost, audience cost-based or security-related tying-hands signals in order to convey high reservation prices. As will be shown in chapters 3 and 4, rising states only send signals of reassurance if their declining opponents are actually considering taking preventive actions. In situations where a declining state deems a power shift to be too small in order to consider prevention, rising states will not send a signal at all or even resort to coercion in order to extract better offers. Hence, while the theoretical model developed in this dissertation is mainly about reassurance, it also advances novel hypotheses on the role of coercion in the face of power shifts.

### *3.3.1 Sunk-Cost Signals*

According to Fearon (1994; 1997b), sunk-cost signals constitute important tools for states to overcome problems of asymmetric information and avoid wars. Generally, sunk-cost signals can be understood as actions with which states voluntarily impose irretrievable costs on themselves, e.g., by holding a large-scale military parade. Fearon's (1997b) analysis suggests that sunk-cost signals may help reduce the problem of asymmetric information because they allow resolute states to distinguish themselves from irresolute

states. The reasoning behind this argument is relatively straightforward: since resolute states have a high utility for using force, they can afford to impose some costs on themselves to communicate their resolve even if their effort to deter or compel their opponent should fail. By contrast, irresolute states have a low utility for using force and generally prefer to concede instead of incurring sunk costs in an attempt to deter or compel. This difference in signaling behavior helps opponents infer a state's true level of resolve and allows them to customize their behavior in a way that reduces or even eliminates the probability of war.

Despite the theoretical conclusion that sunk-cost signaling provides a potent tool for reducing uncertainty and the danger of war, empirical research on the deterrent effects of sunk-cost signals remains limited. The fact that prominent conflict datasets such as the Correlates of War (COW) and International Crisis Behavior (ICB) databases contain very little information on the presence and absence of sunk-cost signaling behavior during crises is certainly one reason for this (see, however, Lai 2001).

Furthermore, there has been a discussion about which types of actions actually qualify as sunk-cost signals. While Fearon (1997b) mentions military investments such as building arms and mobilizing troops as examples for sunk-cost signals, Slantchev's (2005) important critique points out that the primary function of these actions is "not to incur costs but rather to prepare for fighting by increasing the chances of victory" (534). As discussed further below, these actions have important hands-tying effects, which are not adequately captured by modeling them purely in terms of sunk-cost signals. Moreover, Fearon (1994, 580) notes that the costs of military mobilization and troop deployments may often be insufficient in order to serve as credible signal of resolve.

As a result, scholars have increasingly looked at non-military actions in order to examine and further develop the argument that sunk-cost signals may have informational effects that help states communicate their reservation prices. Morrow (1999), for instance, discusses how states can impose significant costs on themselves and signal resolve by cutting beneficial trade links. Gartzke and Li (2003) and Gartzke, Li and Boehmer (2001) make similar claims with respect to states' voluntary disruption of capital and monetary ties. Moreover, Lektzian and Sprecher (2007) argue that economic sanctions can serve as a signal of resolve and reduce the likelihood of conflict if (and only if) they involve significant costs for the sender.

While the logic of sunk-cost signaling has mainly been applied to the question of how states can use these signals to convey their high willingness to fight for a disputed good, several scholars have noted that states can also use these signals to communicate the opposite information, that is, to convey their unwillingness to fight. Stein (1992; see also Lebow and Stein 1987), for instance, argues that states can "reassure their adversaries of their benign intentions and create incentives for negotiation" (441) by taking actions that involve sinking costs. As an example, Stein (1992) mentions President Anwar el-Sadat's 1977 peace initiative and argues that it was successful because Sadat's visit to Israel was both irreversible because "once the president of Egypt travelled to Jerusalem, he could not undo the deed" (442) and costly for Sadat because it encountered political opposition in Egypt and other Arab countries.

States' ability to resort to sunk-cost signals in order to foster peace and cooperative behavior is also explored by Kydd (2000; 2005; see also Kydd 1997b). Kydd offers a series of formal models to argue that states can resort to sunk-cost signals in



order to effectively reassure their opponents of their willingness to cooperate.<sup>4</sup> In order to develop this argument, Kydd (2005, 183-213) uses a two-stage trust game in which actors are uncertain whether they are facing a “security seeking” type who will reciprocate a cooperative move, or an “expansionist” type who will exploit a cooperative move by choosing to defect. Kydd finds that security seeking types can always identify each other by making costly cooperative moves that expose them to the risk of exploitation in the first stage. Since expansionist types will have a preference for defecting in the first round, a cooperative move in the first round helps reassure an opponent that it is facing a security seeking type. Kydd summarizes his findings by noting that “[d]eeply mistrustful players are able to send reassuring costly signals that build trust between them and lead to full cooperation [...] regardless of how mistrustful the players start out” (184).

The theoretical models developed in this dissertation build on these insights by allowing rising states to send sunk-cost signals in order to persuade their opponents that they will not face a severe commitment problem in the future. However, in contrast to Kydd’s (2005) results, the model developed in this dissertation suggests that in the context of power shifts, sunk-cost signals are entirely ineffective for fostering cooperation because they do not allow a rising state to reveal information over the true extent of its commitment problem.

This major difference in results is due to the models’ assumptions regarding the actors’ utility functions. As pointed out above, Kydd (2005) assumes that a security seeking type has an inherent preference for cooperation while an expansionist type has a

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<sup>4</sup> That Kydd (2005) examines sunk-cost, not tying-hands signals becomes clear in the following comment: “[I]n modeling the idea of a costly reassuring gesture [...] I am assuming a certain degree of stationarity in the game, in the sense that that the outcome in the first round does not alter the fundamental parameters of the game, such as the player’s relative power,  $\pi_i$ , cost of conflict,  $c_i$ , etc” (189-190).

hard-wired preference for defection. This limits expansionist types' willingness to pose as security seeking types and enhances the latter types' ability to reveal themselves through a sunk-cost signal. By contrast, the models developed in this dissertation do not assume that rising states have such an in-built preference for "cooperation" or "defection." Instead, if threatened with preventive action, both "small gainers" that expect small gains in power and "large gainers" that expect large gains in power want to reassure their declining opponents that they do not face a commitment problem. However, while small gainers' main incentive for reassuring their declining opponents is to obtain an acceptable offer, large gainers simply want to see their power shift materialize. For large gainers, the size of an offer is of secondary importance as large gainers can profitably resort to force to revise the status quo in its favor if the declining state's offer is too small.

As a result, large gainers have stronger incentives to reassure than small gainers, and hence can afford to match whatever sunk-cost signal small gainers are willing to send to reveal their disinterest in revising the status quo. Since declining states know about a large gainer's incentive to pose as a weak gainer, they will ignore sunk-cost signals in their decision whether to take preventive action or not. Furthermore, since sending a sunk-cost signal is therefore ineffective and only distracts from a rising state's utility, a rising state will never send such a signal in equilibrium.

Besides lacking informational content, sunk-cost signals do not alleviate a rising state's commitment problem, which further explains their inefficacy. To see why sunk-cost signals do not moderate a rising state's commitment problem, consider the following hypothetical example. Suppose that a state that is suspected of acquiring nuclear weapons tried to avert a preventive strike on its alleged weapons facilities by offering costly trade

concessions. It is straightforward to see that once that state is in possession of nuclear forces, its decision whether or not to exploit its gain in relative capabilities will not depend on whether it has made trade concessions or not since its associated costs are incurred regardless of its subsequent behavior. Because declining states are aware that a sunk-cost signal does not alleviate commitment problems, sunk-cost signals are ineffective means of reassurance in the face of power shifts.

It should be emphasized that the results of the reassurance model do not suggest that sunk-cost signals are generally ineffective for fostering cooperation in international relations. Indeed, there are good theoretical and empirical reasons to believe that in many circumstances, sunk-cost signals help states reduce uncertainty and avoid conflict escalation (Fearon 1995; Kydd 2005). However, the model developed in this dissertation suggests that sunk-cost signals will be ineffective means for revealing information and averting preventive actions in situations where states fear a significant decline in relative capabilities. Moreover, the formal analysis in chapter 4 suggests that sunk-cost signals are useless tools for coercing opponents into making better offers in the face of power shifts, which qualifies Fearon's (1997b) theoretical finding that sending sunk-cost signals may allow states to obtain more favorable bargaining outcomes.

### *3.3.2 Audience Cost-Based Signals*

Audience cost-based signals constitute a second type of signal that states can send in order to convey their reservation price under conditions of uncertainty (see Fearon 1994; 1997b; Smith 1998). Essentially, an audience cost-based signal can be viewed as a

leader's political promise to engage in a certain type of action, for instance to stand firm to a challenge or to uphold a demand. Audience cost-based signals derive their credibility from the assumption that leaders will be punished by their domestic audience or an international audience if they renege on their policy promises. It is important to note that audience cost-based signals address the problem of uncertainty over reservation prices in a different manner than sunk-cost signals: while sunk-costs signal have a purely informational effect by communicating a state's existing reservation price, audience cost-based signals may both reveal information and manipulate a state's reservation price (Fearon 1994; 1997b; Schultz 1999; Smith 1998; Tarar and Leventoglu 2009).

The most prominent argument that has emerged from the literature is that a state's ability to send audience cost-based signals depends on its regime type (Fearon 1994; 1997b; Smith 1998). Although Fearon (1994) expects that dishonoring foreign policy promises will damage a state's international "credibility, face, or honor" (581) regardless of its regime type, he argues that electoral sanctions and the prominent role of public opinion make democratic leaders much more likely to experience domestic punishment than authoritarian leaders. Similarly, Smith (1998) argues that domestic audiences will view renegeing on a commitment as an indication of a leader's foreign policy incompetence regardless of regime type, but also claims that domestic audiences find it easier to punish incompetent leaders in democracies than in non-democracies. Interestingly, democratic leaders' domestic vulnerability turns out to be an advantage on the international stage because it lends credence to their policy promises. Furthermore, Fearon (1997b) argues that on average, leaders do better in international crises by sending audience costs-based signals than by sending sunk-cost signals because the former are

only costly if the leader decides to break his promises. Sunk costs, on the other hand, are incurred regardless of the outcome of a crisis.

Generally, the available empirical evidence tends to support the hypothesis that democratic leaders enjoy a signaling advantage over their non-democratic counterparts in international crises and conflicts (Eyerman and Hart 1996; Gelpi and Griesdorf 2001; Partell and Palmer 1999; Prins 2003; but see also Kinsella and Russett 2002). Furthermore, the “democratic peace” phenomenon has been interpreted as evidence of the notion that democratic leaders find it easy to convey their resolve and thereby avoid costly conflicts with each other (see e.g., Fearon 1994; Guisinger and Smith 2002; Lipson 2003; see, however, also Leventoglu and Tarar 2005). At the same time, it has been widely recognized that finding direct empirical evidence for the idea that leaders will be punished domestically for backing down from foreign policy promises is difficult: if the audience cost argument holds, leaders should avoid situations in which they expect punishment for renegeing on political promises, which means that there should be little directly observable evidence for leaders actually incurring audience costs (Schultz 2001a; Baum 2004; see also Tomz 2007 for an experimental study).

The hypothesis that democracies and their leaders enjoy a signaling advantage due to the domestic audience cost mechanism is subject to various qualifications and criticisms. A frequently raised criticism questions the domestic audience’s incentives to punish leaders for breaking policy promises. As Schultz (1999) points out, bluffing may often lead to desirable results in international crises and conflicts and hence may not be punished by the domestic audience. Similarly, Smith (1998) posits that a domestic audience might actually be “delighted that [a leader] avoided foreign entanglement once

she realized that she was unable to influence the situation” (623). Even more to the point, Slantchev (2006) argues that the audience cost mechanism can only work “if the leader and the citizens have divergent preferences, are asymmetrically informed, and if outcomes are only imperfectly correlated with the leader’s actions” (451) because otherwise a leader would never engage in policies that risk domestic punishment.

In response to these criticisms, several scholars have tried to place the domestic audience cost mechanism on a stronger theoretical footing by endogenizing the domestic audience’s incentive to punish their leaders (Smith 1998; McGillivray and Smith 2000; see also Goemans 2000; Chiozza and Goemans 2004 on international conflict and leadership tenure). Others have proposed alternative reasons why democracies find it easier to send credible signals. Schultz (1998, 2001b) and Ramsay (2004), for instance, argue that a democracy’s signaling advantage may be due to the presence of an independent political opposition, which can confirm governments’ foreign policy promises. Slantchev (2006), on the other hand, argues that the democratic signaling advantage is not due to its political institutions but the result of the presence of an independent media, which increases the likelihood that domestic audiences will actually learn about “bad” foreign policies that deserve punishment.

A number of scholars go even further in discounting the role of regime type for a state’s or leader’s ability to send audience cost-based signals. Weeks (2008) argues that standard accounts of the audience costs argument focus too much on electoral political punishment and neglect that non-democratic leaders may incur domestic audience costs as a result of elite coordination. Notably, Weeks also offers some empirical evidence which suggests that at least some non-democratic regimes are just as capable of sending

credible audience cost-based signals as democracies. Sartori (2002; 2005), on the other hand, finds that the effect of regime type on a state's ability to send audience cost-based signals is overrated and claims that signals derive their credibility due to international, not domestic punishment. Sartori suggests that states share a common interest in maintaining their ability to communicate efficiently with each other and will therefore punish individual states for bluffing, which, in turn, induces them to generally send honest signals (see also Guisinger and Smith 2002).

While most of the conflict literature focuses on audience cost-based signals that are intended to communicate a state's high reservation price for the purpose of deterrence or compellence, the basic logic of the audience costs argument can in principle be extended to all kinds of political promises. Hence, several scholars claim that democracies' alleged ability to tie their hands with their domestic audiences should enable them to persuade their opponents or partners or their willingness to cooperate. Leeds (1999), for instance, argues that "[i]f democracies are more capable of guaranteeing their own future behavior and if this ability is crucial to achieving cooperation under anarchy, then it may follow that democracies exhibit more cooperative behavior in the international system" (989). In a similar vein, Lipson (2003) notes that the audience cost mechanism makes democracies' promises to cooperate more "credible, reliable, and durable" (6) and McGillivray and Smith (2000) argue that "leaders in democracies are more trustworthy than less accountable leaders and hence can cooperate at higher levels" (820). Furthermore, the argument that the audience cost-mechanism prevents democratic states from renegeing on promises or formal treaties to cooperate has been invoked to propose that democracies are unlikely to renege on alliance

commitments (Gaubatz 1996; Leeds 2003; Smith 1996; see also Gartzke and Gleditsch 2004) and on international economic arrangements (e.g., Broz 2002; Jensen 2003; Mansfield, Milner, and Rosendorff 2002).

The reassurance model developed in this dissertation builds on the idea that states can make credible promises over their foreign policy behavior by allowing rising states to issue audience cost-based signals of reassurance. In the model, these audience cost-based signals of reassurance are essentially rising states' political promises to restrain their demands once a power shift has materialized. An example of such a signal of reassurance is Germany's decision to politically commit itself not to try to revise the Oder-Neisse line with Poland by signing the German-Polish Border Treaty on November 14, 1990, just six weeks after Germany's reunification.

In the model, audience cost-based signals of reassurance derive their credibility from the assumption that states or state leaders will be politically punished if they renege on their promise of restraint by making excessive demands. The basic effect of these audience cost-based signals of reassurance is that they decrease a rising state's commitment problem, which, in turn, increases a declining state's willingness to renegotiate the status quo instead of taking preventive action. This line of reasoning may also help explain why the Polish government insisted on the German-Polish Treaty in 1990: arguably, by making a formal promise to accept the inviolability of the German-Polish border, the German government increased the domestic and/or international political punishment it would suffer for attempts to renegotiate or revise the Oder-Neisse border. This, in turn, enhanced Poland's confidence that a unified Germany would not try to challenge the territorial status quo (Allen 2003, 286-290; Görtemaker 1999, 759-762).



Importantly, the reassurance model shows that under broad circumstances, rising states will indeed send audience cost-based signals of reassurance and that these signals allow them to effectively avert prevention.

While the formal models are primarily concerned with reassurance, they also allow rising states to send audience cost-based signals of coercion. These signals of coercion are commitments by rising states to only accept offers that meet or exceed a specified threshold. An example for such an audience cost-based signal of coercion would be if Germany had politically committed itself to reject the Oder-Neisse line as insufficient and demanded additional territory of a certain size. By sending audience cost-based signals of coercion, rising states can increase their reservation price for accepting an offer after a power shift and extract a more generous offer from their opponents. As is the case with signals of reassurance, signals of coercion derive their credibility from the expectation that states or state leaders will be punished if they deviate from their policy announcement, i.e., that they lose domestic and/or international political support if they settle for less than they promise they will obtain. Again, there are two reasons why states and their leaders may suffer this type of punishment: first, reneging on a political promise may be punished because it hurts a state's or a leader's international reputation and decreases his or her ability to effectively bargain in the future (e.g., Fearon 1994; 1997b; Guisinger and Smith 2002; Satori 2003). Second, by backing down on a promise, a leader may reveal his or her incompetence to the audience (Smith 1998).

As will be shown in chapter 4, the theoretical model developed in this dissertation suggests that a rising state's decision whether to engage in reassurance, coercion or not to send an audience cost-based signal at all depends on two factors. A rising state's *ex ante*

capabilities relative to the overall costs of fighting is the first factor. Rising states' ex ante capabilities play a critical role for their signaling behavior because they affect the probability that a power shift will be large enough to elicit prevention. In order to see why this is the case, note that rising states that are weak ex ante may experience much greater gains in relative capabilities than rising states that are highly capable to begin with. Ceteris paribus, rising states with low ex ante capabilities are much more likely to face a significant commitment problem and likely to be the target of a preventive strike. Since rising states with low ex ante capabilities are likely to be subjected to prevention, they also have strong incentives to send audience cost-based signals of reassurance.

By contrast, if the rising state is relatively powerful to begin with, the maximum size of the power shift is bound to be relatively small. As a result, a rising state will only face a minor commitment problem and the declining state will have little reason to resort to prevention. Because of that, sufficiently powerful rising states can and will send audience cost-based signals of coercion without having to fear being subjected to prevention. However, relatively powerful rising states know that they must not overcoerce their declining opponents because this would provoke them into taking preventive actions.

A third situation arises if a rising state has intermediate ex ante capabilities. Here, the rising will refrain from sending an audience cost-based signal altogether. While a moderately powerful state's maximum power shift is just sufficiently constrained for reassurance to be superfluous, it is still potentially large enough where even the slightest signal of coercion would provoke a preventive strike from the declining opponent. Since

reassurance is unnecessary and coercion counterproductive, rising states with moderate ex ante capabilities are best off by not sending an audience cost-based signal at all.

The reassurance model suggests that the thresholds that distinguish rising states with weak, intermediate and high ex ante capabilities are contingent on rising and declining states' costs of fighting. Generally, the model predicts that declining states' temptation to take preventive actions increases as the costs of fighting decrease. Hence, in situations in which the costs of fighting are low, even relatively powerful states will feel compelled to send a signal of reassurance, while high costs of fighting allow even relatively weak states to send a signal of coercion without provoking a preventive strike.

The second factor that is proposed to determine a rising state's signaling behavior pertains to the ease with which a rising state can send audience cost-based signals. The model developed in this dissertation assumes that sending a credible audience cost-based signal requires some effort. This effort is expressed in terms of an opportunity cost element that is incurred whenever a rising state or a state leader tries to tie its hands with an audience. The reassurance model suggests that rising states will only send audience cost-based signals if their opportunity costs for doing so are sufficiently low. Hence, states or leaders that find it difficult to tie their hands with their domestic or an international audience may actually prefer to refrain from sending an audience-cost based signal even though they know that this will result in a preventive strike. Interestingly enough, the formal models also suggest that a rising state's opportunity costs never deter it from trying to coerce a declining opponent into making a more generous offer.

The assumption that states incur some sunk opportunity costs for tying their hands with an audience is intended to reflect two ideas. First, the notion of opportunity costs is

used to qualify Fearon's (1997b) assumption that "leaders are able to generate arbitrarily large audience costs" (82), which Fearon himself considers as being "surely too strong" (82). In the reassurance model, it is assumed that issuing persuasive political promises becomes harder as the magnitude of the promise increases, which effectively puts a cap leaders' ability to tie their hands.

Second, by treating a state's opportunity costs for sending audience cost-based signals as a parameter, the reassurance model allows for the possibility that the ease with which a rising state can tie its hands is a matter of degree and may depend on a variety of factors. Importantly, the reassurance model does not make any strong substantive assumptions with respect to determinants of a state's opportunity costs, but treats them as a variable that has to be measured on a case-specific basis. While it may be true that democratic states generally find it easier to send persuasive audience cost-based signals than non-democracies (see e.g., Fearon 1997b), there may be instances where the potential punishment of an international audience may compensate for a leader's inability to tie his or her hands domestically (see e.g., Sartori 2005). Furthermore, it seems plausible to believe that a leaders' ability to tie his or her hands depends on the configuration of domestic preferences. For instance, leaders that face a revisionist domestic audience ought to find it much harder to send credible audience cost-based signals of reassurance than leaders whose domestic audience is status quo-oriented. Hence, the model in this dissertation adopts the notion that states may issue credible audience costs-based signal as a working hypothesis, whose accuracy for a given case has to be investigated empirically.

### 3.3.3 *Security-Related Tying-Hands Signals*

Security-related tying-hands signals, such as building arms or mobilizing troops, constitute a third type of signal that states can send in order to convey their resolve (Slantchev 2005, see also Brito and Intriligator 1985; Kydd 2000; Morrow 1994; Powell 1993). The logic of security-related tying-hands signals is simple: since building arms or mobilizing troops at the onset of a crisis increases a state's expected utility for war relative to remaining at peace, these signals allow states to make credible commitments to fight if necessary, which, in turn, translates into bargaining leverage at the negotiation table.

Several scholars have discussed the hands-tying effect of military actions (e.g., Morrow 1993, Powell 1993, Kydd 2000), but Slantchev (2005) offers the most compelling theoretical analysis of security-related tying-hands signals by highlighting two critical properties. First, Slantchev points out that security-related tying-hands signals have a dual role in that they both sink costs and create behavioral commitments. While Fearon's (1994; 1997b) discussion of military actions such as building arms and deploying forces concentrates on their financial costs, Slantchev (2005) correctly points out that these actions also "improve one's expected value of war relative to peace, and in this sense they can tie one's hands" (535). Second, Slantchev notes that security-related tying-hands signals affect both the sender's and the opponents' expected utility for fighting, because all actions that increase (decrease) the sender's probability of winning a fight will necessarily decrease (increase) its opponents' chance of prevailing.

Slantchev's (2005) formal analysis of security-related tying-hands signals

challenges some of the orthodox wisdom on crisis signaling. First, Slantchev's model emphasizes that the assumption that states can convey their resolve by making commitments does not necessarily mean that they will resolve their disputes peacefully. Slantchev's results suggest that there are situations in which the presence of "asymmetric information causes actors to risk committing too much (so that they would not want to back down if resisted) but not quite enough to force their opponent to back down (and so the opponent resists)" (545). This finding echoes Fearon's (1997b) important but underappreciated finding that although leaders generally do better in crises by sending audience cost-based signals than sunk cost-signals, sending audience cost-based signals also creates "a greater ex ante risk of war" (68).

Second, since it is not clear why a state's ability to send security-related tying-hands signals should depend on regime type, the assertion that democracies enjoy a signaling advantage due to their ability to tie their hands with their domestic audiences may have to be qualified. Moreover, by engaging material incentives, security-related tying-hands signals may allow actors to tie their hands in a more reliable and transparent fashion because audience cost-based signals are only effective if their opponents expect that renegeing will indeed be punished by a domestic or international audience. However, this does not mean that security-related tying-hands signals will be superior to audience cost-based signals. While audience cost signals are conceptualized in terms of precise and explicit verbal indications of an actor's reservation price, security-related tying-hands signals are tacit and, as a result, rather imprecise signals of resolve. As Slantchev concludes, "[p]erhaps it is precisely because mobilization has such a crude signaling role, which is hard to disentangle from preparation for war, that mobilization has traditionally

been considered very dangerous” (541).

The formal models of presented in chapters 4 and 5 extend upon Slantchev’s conceptualization of security-related tying-hands signals by allowing rising states to use these signals not only to increase, but also decrease their reservation price after a power shift. Thus, the formal models take up Fearon’s (1995) argument that “the rising state can actually have an incentive to transfer away or otherwise limit the sources of its new strength, since by doing so it may avoid being attacked” (406-407; see also Glaser 1994-1995; Maoz and Felsenthal 1987; Lebow and Stein 1987; Stein 1992 for similar informal claims).

The theoretical model developed in this dissertation suggests that security-related tying-hands signals have similar effects as audience cost-based signals. Security-related tying-hands signals of reassurance, such as decreases in the defense budget or disarmament, decrease a rising state’s reservation price after a power shift and induce declining states to refrain from taking preventive action if these signals are sufficiently large. By contrast, security-related tying-hands signals of coercion, such as increases in the defense budget or the mobilization of troops, increase a rising state’s reservation price and elicit a more generous offer from a declining opponent, provided that the rising state does not overcoerce its opponent and thereby provokes into taking preventive actions.

The formal analysis also shows that security-related tying-hands signaling is driven by the same determinants as audience cost-based signaling: relative capabilities and opportunity costs. While rising states with small *ex ante* capabilities will generally feel compelled to send security-related types of reassurance in order to assuage their opponents’ fears of a large power shift, rising states with high *ex ante* capabilities can

coerce declining opponents into making more generous offers because their maximum power shift will be sufficiently small for prevention to be unwarranted. Rising states with moderate ex ante capabilities will again refrain from sending security-related tying-hands signals altogether: for these states, the maximum power shifts is sufficiently constrained for reassurance to be unnecessary, but still large enough for coercion to provoke preventive actions by declining opponents.

The effects of rising states' opportunity costs for sending security-related tying-hands signals are also analogous. The formal analysis suggests that rising states will only reassure their opponents if their opportunity costs for doing so are sufficiently low. If their opportunity costs cross a certain threshold, rising states will find it more profitable to refrain from sending a signal of reassurance even though they may have to endure prevention as a result. Interestingly, opportunity costs do not deter rising states from issuing security-related tying-hands signals of coercion. While high opportunity costs may limit the degree to which a rising state can coerce its opponent, the models suggest that these opportunity costs will never be sufficiently large for a rising state to refrain from coercion altogether.<sup>5</sup>

Given the critical role that the formal models assign to opportunity costs for rising states' signaling behavior, the case studies in the last chapters will include an examination of the ease with which states can send security-related tying-hands signals of reassurance. Since there is barely any prior theoretical or empirical work on the ease with which states can manipulate their expected utility for fighting, the empirical analysis will be somewhat exploratory. However, it will be guided by the working assumption that

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<sup>5</sup> This finding should not be overemphasized because it is quasi-built into the model due to the assumption that the effectiveness of a signal of coercion always exceeds its costliness.



states' opportunity costs for sending security-related tying-hands signals are determined by both material and political factors. With respect to the former, Slantchev (2006) notes that sending security-related tying-hands signals, such as deploying or increasing military forces, always generates financial and material costs. Hence, budget constraints and low ex ante relative capabilities may severely constrain a state's ability to coerce its opponent. A similar argument can be made for security-related tying-hands signals of reassurance since significant and timely decreases in relative capabilities may also generate non-trivial financial costs. For instance, long-term budgetary benefits notwithstanding, a 1991 Government Accounting Office document estimated that the costs of implementing the Intermediate-Range Nuclear Forces (INF) treaty for the United States were well over \$500 million for the fiscal years between 1988 and 1991.

Domestic political factors may also affect the ease with which rising states can send security-related tying-hands signals. With respect to domestic political factors, it is conceivable that the configuration of domestic preferences plays an important role for the ease with which leaders can issue signals of coercion and reassurance. Generally, states with status-quo oriented domestic constituencies should find it much more difficult to send security-related signals of coercion than signals of reassurance, while the opposite should be the case for states with revisionist constituencies. For instance, the German government's decision to allow the stationing of intermediate range nuclear forces on its soil in the context of the North Atlantic Treaty Organization's (NATO) Double-Track Decision generated an intense political debate and is widely believed to have contributed to the dissolution of Germany's social-liberal government coalition in 1982 (Görtemaker 1999, 592-596).

Sending signals of reassurance and coercion may also be associated with opportunity costs imposed by third states. States may refrain from sending security-related signals of reassurance when they believe that third states will exploit their resulting vulnerability (see Montgomery 2006). In reverse, it is also plausible that states will be hesitant to issue signals of coercion when they expect international punishment by their peers and allies for engaging in saber-rattling.

While the reassurance model suggests that audience-cost based and security-related tying-hands signaling adhere to very similar dynamics in that they are both contingent on relative capabilities and opportunity costs, it should be noted that the formal analysis points to one major difference: unlike audience cost-based signals, security-related tying-hands signals allow for the possibility of bluffing. The reassurance model predicts that a rising state will only send “honest” audience cost-based signals of reassurance in that it will never resort to force in order to revise the status quo after having sent such a signal. By contrast, when a rising state sends a security-related tying-hands signal of reassurance, there is always a positive probability that it will nevertheless resort to use of force to revise the status quo after a power shift. Roughly, this difference is due to the fact that security-related signals of reassurance do not only decrease a rising state’s utility for fighting, but also increase a declining state’s payoff should war break out after the power shift. As a result, declining states are somewhat less averse to fighting after a power shift, which induces them to make offers that entail a non-zero risk of being rejected.

### 3.4 Summary

This chapter lays out the conceptual underpinnings of the formal models which address the nexus between power shifts, declining states' preventive motivations and rising states behavioral responses and are presented in detail in chapters 4 and 5. The formal models are designed to re-examine the orthodox wisdom on why and when power shifts result in preventive action by extending the recent rationalist "bargaining model of war" literature (Fearon 1995; Reiter 2003) in three ways. The first and most important notion is that an increase in relative capabilities may result in a commitment problem for the rising state as it augments its willingness to use force, and with it, its reservation price for accepting a negotiated agreement over a disputed issue. If the power shift is sufficiently large, a rising state's temptation to exploit its new power position may be so large that it may be rational for a declining state to take inefficient preventive action in order to forestall a power shift (Fearon 1995; Powell 2004; 2006).

Second, the formal models presented in the next chapters assume that declining states are usually uncertain of the exact magnitude of an impending power shift. While states' incentives to misrepresent their conflict-relevant private information (e.g., over their costs of fighting or their valuation of a disputed good) have received a lot of attention in the rationalist conflict literature, the implications of rising states' motivation to hide expectations of power shifts for declining states' conflict behavior have barely been addressed in formal literature (see Powell 1996; 1999 for a partial exception). The introduction of uncertainty over power shifts is based on the idea that rising states are aware that the anticipation of large changes in relative capabilities may induce declining states to take preventive action. Hence, rising states have strong incentives to hide or play

down their expected gains in relative capabilities until the power shift has occurred. At the same time, if rising states believe that declining states are unwilling to take preventive action, rising states may have an incentive to exaggerate their actual gain in relative capabilities in order to coerce a declining state into making a better offer. Because of these incentives, there are good reasons to believe that declining states are usually uncertain over the exact size of an impending power shift.

The third conceptual building block concerns the conjecture that rising states may actively try to avert preventive strikes and wars by reassuring declining opponents that they do not face a commitment problem. This proposition directly challenges the extant literature's assumption that rising states will remain passive when confronted with the prospect of suffering preventive action. In order to conceptualize how rising states may try to reassure declining opponents, the formal models rely on pertinent crisis signaling models but turn their logic of their head. While the orthodox crisis signaling literature is concerned with how states can convey high levels or resolve (and, hence, high reservation prices) for the purposes of deterrence and compellence, the strategic imperative for rising states that fear prevention is to persuade their opponents of their willingness to accept the status quo and remain at peace in the future.

The formal analyses in the next two chapters examine three types of signals that rising states may send in order to persuade rising states that they do not face a significant commitment problem: *(i)* sunk-cost signals, which are intended to communicate the absence of commitment problems; *(ii)* audience cost-based signals, which are political promises not to exploit a commitment problem; and *(iii)* security-related tying-hands signals, which are actions by which rising states voluntarily limit or reduce their gains in

relative capabilities.

The central result that emerges from the formal analyses in the next two chapters is that rising states do indeed have strong incentives to resort to reassurance in the face of power shifts and that reassurance may help rising states avert preventive action. However, the formal analyses also suggest that sunk-cost signals are ineffective means of reassurance, while audience cost-based signals as well as security-related tying-hands signal of reassurance are powerful means of averting preventive action. Furthermore, the formal analyses yield specific hypotheses on the conditions under which rising states will reassure and how they will reassure declining states. Finally, the formal analyses also yield the rather surprising result that under some circumstances, rising states can exploit declining states' uncertainty of the size of a power shift by coercing them into making a more generous offers of appeasement.

## 4 Formal Analysis I: Reassurance, Coercion and Power Shifts

### 4.1 Overview

This chapter contains a sequence of formal analyses that examine the strategic interaction of rising and declining states during power shifts. The primary aim of these analyses is to elucidate the conditions under which the anticipation of a significant change in relative capabilities will prompt declining states to take preventive action. Unlike extant formal models on the power shifts (Fearon 1995; Powell 1999; 2004; 2006), the analyses provided below allow rising states to try to manipulate declining states' expectations regarding the severity of a power shift. The formal analyses below yield two central results: first, rising states are frequently both willing and able to persuade declining states to refrain from prevention by reassuring them that their fears of the consequences of a significant change in capabilities are unwarranted. Second and somewhat surprisingly, the anticipation of minor power shifts provides an opportunity for rising states to coerce declining states into making rather generous concessions.

In order to develop these arguments, this chapter begins with an analysis of a simple complete-information baseline crisis bargaining game model (Section 4.2), which shows that the anticipation of large power shifts provides a rationalist explanation for war (see also Fearon 1995; Powell 2006). Furthermore, the dynamics of this baseline model implicitly suggest that rising states that expect *large* gains in relative capabilities have strong incentives to hide or to limit their gains in power in order to avoid a preventive strike.

Consequently, section 4.3 examines an incomplete information version of the baseline model in which rising states are assumed to hide the magnitude of their gain in

relative capabilities vis-à-vis declining states. Here, declining states are assumed to know that a power shift is impending but to be uncertain over the exact size of the power shift (see also chapter 3 on this assumption). Introducing uncertainty to the baseline model has two major effects: it increases the size of the preventive war equilibrium and it creates incentives even for rising states that expect only *small* gains in power to try to avert being subjected to prevention. Importantly, the incomplete information baseline model suggests that classical deterrence is an infeasible strategy for a rising state because he will not have the means to persuade a declining state that fighting before a power a shift would be worse than after a power shift. However, it is conceivable that a rising state can induce a declining state to refrain from taking preventive action by reassuring the declining state that an impending power shift is less severe than expected.

The subsequent permutations of the incomplete information baseline model examine the feasibility of reassurance. Specifically, these permutations assess how rising states may manipulate declining states' beliefs and behavioral incentives prior to the occurrence of a power shift by sending sunk-cost signals, audience cost-based signals and security-related tying-hands signals. These analyses suggest that sending a sunk-cost signal (section 4.4) is an entirely ineffective foreign policy tool for manipulating declining states' decision-making calculus. However, both audience cost-based signals (section 4.5) and security-related tying-hands signals (section 4.6) turn out to be highly effective means of averting prevention through reassurance. The results that (i) rising states can effectively avert preventive actions through reassurance and (ii) that their incentive to send signals of reassurance arises endogenously are particularly important, because they challenge the orthodox wisdom that the anticipation of large power shifts

will invariably lead to prevention if the costs of fighting are sufficiently low. The permutations of the baseline models also yield the unexpected result that under some circumstances, rising states have an incentive not reassure their declining opponents, but to coerce them into making better offers. If a declining state believes that a power shift will be limited and hence does not contemplate taking preventive action, a rising state can and will take actions that induce a declining state to offer more of a disputed good than otherwise would be the case.

In sum, the subsequent formal analyses suggest that extant conflict models greatly underestimate rising states' willingness and ability to both soften and exploit suspicions of impending power shifts to their advantage. Perhaps most importantly, the finding that rising states have strong incentives to reassure declining states suggests that preventive action should be less common than extant conflict theories claim.

## **4.2 The Baseline Model I: Complete Information Version**

### *4.2.1 Setup*

In order to examine the effect of power shifts on interstate relations, let us first consider a baseline bargaining game similar to Powell's (2006) "war as a commitment problem" model (see also Fearon 1995; Powell 2004).

The baseline model, shown in *Figure 1*, consists of a simple crisis bargaining game among between two states:<sup>1</sup> the rising state *R* and the declining state *D*. The declining and the rising state are in a dispute over a divisible prize (e.g., a piece of

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<sup>1</sup> While the baseline model and its subsequent permutations examine the strategic implications of power shifts within a dyadic setting, the empirical implications may be applicable to multilateral settings, for instance if a rising state faces a group of declining states that act as a unitary actor.



territory) whose value is normalized to 1 for both states. At the outset of the game it is assumed that the prize is in possession of the declining state. During the game, a shift in relative capabilities occurs in favor of the rising state and to the detriment of the declining state. Because the rising state's gain in relative capabilities increases his probability of winning a fight and, hence, his expected utility for fighting, the declining state knows that she will have to offer some share of the prize if she wants to maintain peaceful relations with the rising state in the future. However, the declining state also has an outside option: she can take preventive action in order to forestall the power shift from occurring. The central question that I seek to answer with the baseline model is: under what conditions does a declining state decide to launch a preventive strike instead of making an offer?

The sequence of the game is as follows. The game begins with a random draw by Nature from the uniform distribution  $\theta^A \sim [0, \Delta_{max}=1-p]$  where  $\Delta$  denotes the size of the power shift in favor of  $R$  which materializes at the end of the game (see *Figure 1*). Before the power shift occurs,  $D$  can take preventive action, which ends the game. For presentational purposes, the following analysis will often use the terms “preventive strike” or “preventive war”, although “preventive action” may also consist of a non-violent but inefficient measure designed to forestall a power shift, e.g., the imposition of an arms embargo or economic sanctions. Besides taking preventive action,  $D$  can offer  $x$  to divide the prize in question. If  $D$  makes an offer, the power shift sets in and  $R$  can decide whether to accept the offer or fight over the prize.

In terms of payoffs, the baseline model uses the standard parameters of extant crisis bargaining games. If  $D$  decides to take preventive action, each player receives its

preventive war payoffs.  $R$  prevails in a preventive war and obtains the prize with probability  $p$ , which ranges between 0 and 1 and reflects  $R$ 's ex ante capabilities relative to  $D$ 's ex ante capabilities. If a preventive war occurs,  $R$  also incurs some costs of the fighting (or more generally: cost of conflict)  $c_R > 0$ .  $D$  wins the fight with the residual probability  $1-p$  and incurs her costs of fighting  $c_D > 0$ . Hence, the payoffs for preventive action are  $p-c_R$  for the rising state and  $1-p-c_D$  for the declining state. It is assumed that preventive action eliminates the occurrence of the power shift and ends the game.<sup>2</sup>

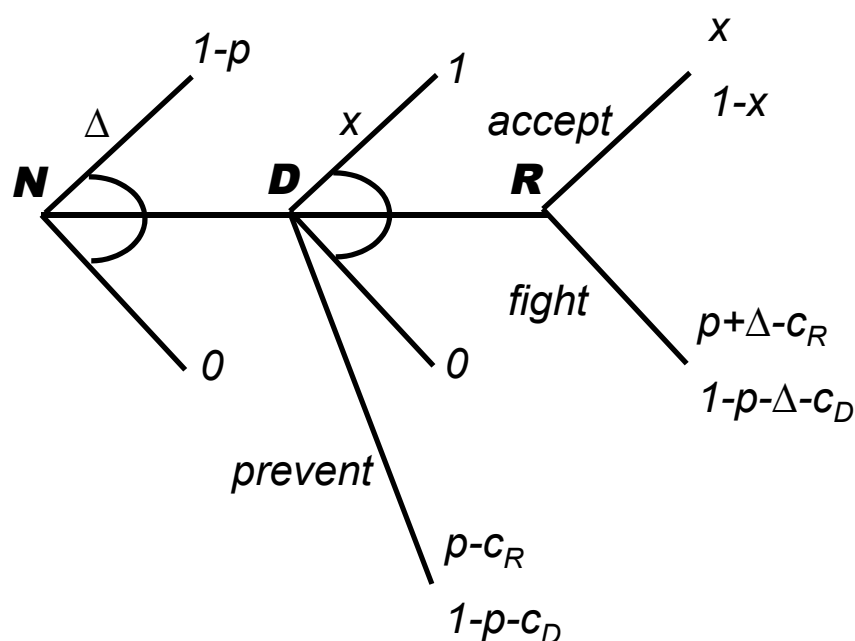
If  $D$  makes an offer  $x$  and  $R$  accepts,  $R$  receives  $x$  and  $D$  the rest,  $1-x$ . If  $R$  does not accept  $D$ 's offer,  $R$  will revise the status in a violent fashion and obtain  $p+\Delta-c_R$ , which is his conflict payoff after a power shift.  $D$  receives  $1-p-\Delta-c_D$  for a violent revision of the status quo after the power shift. It should be noted that  $R$ 's relative capabilities cannot exceed unity after the power shift, i.e.,  $\Delta_{max}+p \leq 1$ .<sup>3</sup>

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<sup>2</sup> The assumption that preventive action is always successful and fully eliminates  $\Delta$  is made to simplify the analysis. Assuming that preventive action destroys  $\Delta$  only partially or probabilistically increases the size of the peaceful equilibrium, but does not eliminate the possibility of a preventive strike outcome.

<sup>3</sup> It also possible to express  $R$ 's relative capabilities after the power in terms of  $(p+\Delta)/(1+\Delta)$ . Since this parameterization adds significantly to the complexity of the analysis but leaves the substantive results unaffected, Powell's (2006, 183-188) simpler parameterization in terms of  $p+\Delta$  is used.

**Figure 1: The baseline model**



#### 4.2.2 Equilibria

Let us first consider the equilibria of the baseline model when there is complete information over all parameters including the size of the power shift. The complete information analysis serves two purposes: first, it allows us to demonstrate the “bargaining model of war” proposition that power shifts constitute a rationalist explanation for war (see Fearon 1995 and Powell 2006). Second, it allows us to work through key dynamics that are also relevant for the subsequent, more complicated models developed further below.

The complete information version of the game can be solved for subgame perfect equilibria via backwards induction. Let us begin with  $R$ 's decision whether to accept  $D$ 's offer  $x$  in the last stage of the game.  $R$  will only accept  $x$  if its value equals or exceeds his

expected utility for revising the status quo, which determines  $R$ 's reservation price  $r_R = p + \Delta - c_R$ . Note that  $R$ 's reservation price increases in the size of the power shift  $\Delta$ : rising states that experience large gains in relative capabilities require larger offers in order to accept a negotiated agreement and to refrain from revising the status quo than rising states that only experience a small gain in power. The relationship between the size of a rising state's gain in power and his reservation price holds across all extensions of the baseline model and is expressed in *Lemma 1* below.

***Lemma 1:***  $R$ 's reservation price  $r_R$  for accepting offer  $x$  is increasing in  $\Delta$ .

Next, let us consider  $D$ 's decision whether to make an offer or launch a preventive strike.  $D$  knows that if she makes an offer  $x$ ,  $R$  will accept if the offer equals or exceeds her reservation price (that is, if  $x \geq r_R = p + \Delta - c_R$ ) and will reject otherwise. Since  $D$  wants to keep as much of the prize as possible, her optimal accommodating offer  $x^*$  will barely suffice to accommodate  $R$ . More formally,  $x^* = r_R$ , which yields a payoff of  $1 - x^* = 1 - p - \Delta + c_R$  for  $D$ . If  $D$  makes an insufficient offer ( $x < r_R$ ),  $R$  will reject and revise the status quo in a violent fashion. In that case,  $D$  obtains her post-power shift war payoff of  $1 - p - \Delta - c_D$ . Since it is assumed that rising and declining states' costs of fighting are always greater than zero (i.e.,  $c_i > 0$ ),  $D$  always prefers making an accommodating offer over an insufficient offer as  $1 - p - \Delta + c_R > 1 - p - \Delta - c_D$ . Differently put, a declining state always prefers to wage war before rather than after a power shift in order to avoid having to fight from a position of weakness.

Let us now turn to the circumstances under which  $D$  prefers making an offer to launching a preventive strike at the beginning of the game.  $D$  will obtain  $1 - p - c_D$  if she

launches a preventive strike. Since  $D$  wants to make accommodating, not insufficient offers, she expects to obtain  $1-x^*=1-p-\Delta+c_R$  from bargaining. Comparing these two payoffs shows that  $D$  only makes an offer if the power shift is sufficiently small, specifically if it equals or lies beneath the critical power shift threshold  $\Delta^*=c_R+c_D$ . If the size of the power exceeds the critical threshold  $\Delta^*$ ,  $D$  is better off by taking preventive action.

What drives  $D$ 's decision calculus? Essentially,  $D$ 's payoff for taking preventive action puts a cap on the size of the offer she is willing to make (i.e.,  $D$ 's maximum offer  $x_{max}=p+c_D$ ). The critical question that  $D$  faces is whether her maximum offer will suffice to accommodate  $R$  or not. If the power shift in favor of  $R$  is small ( $\Delta \leq \Delta^*$ ), even an offer well below of the size of  $D$ 's maximum offer will be acceptable for  $R$ , leaving enough of the good to  $D$ . However, if the power shift is large ( $\Delta > \Delta^*$ ), even  $D$ 's maximum offer will not suffice to accommodate to  $R$ , prompting  $R$  to revise the status quo in a violent fashion after the power shift which leads to  $D$ 's least preferred outcome. Anticipating  $R$ 's commitment problem to accept  $D$ 's maximum offer if  $R$ 's gain in relative capabilities is sufficiently large,  $D$  decides take preventive action.

Since the size of the power shift in favor of a rising state plays a critical role for the question of whether a declining state will resort to prevention for the subsequent discussion, it is useful to distinguish between two categories of rising states (see also *Table 1*). Rising states that experience small gains in power will only marginally increase their reservation prices for accepting an offer and hence have only little interest in resorting to force in order to revise the status quo. From the perspective of declining states, these rising states face no significant commitment problems to adhere to the status

quo and hence will be called “non-revisionists.” Rising states that experience large gains in power have a high reservation price and strong incentives to resort to force after a power shift. These states will be called “revisionists” in the subsequent discussion.<sup>4</sup>

**Definition 1:**  $R$  is a “non-revisionist” if the power shift  $\Delta \leq \Delta^* = c_R + c_D$  and a “revisionist” if  $\Delta > \Delta^*$ .

**Table 1: Properties of non-revisionist vs. revisionist rising states**

<i>Rising state</i>	<i>Size of power shift</i>	<i>Commitment problem</i>	<i>Reservation price</i>
<b>Non-revisionist</b>	<i>low</i>	<i>low</i>	<i>low</i>
<b>Revisionist</b>	<i>high</i>	<i>high</i>	<i>high</i>

With these definitions and the previous discussion in mind, we can now turn to equilibrium statements of the baseline model under complete information:

**Complete Information Baseline-Model Equilibrium I: Accommodation:** If  $R$  is a non-revisionist ( $\Delta \leq \Delta^*$ ),  $D$  offers  $x^* = p + \Delta - c_R$ .  $R$  accepts  $x^*$ .

**Complete Information Baseline-Model Equilibrium II: Prevention:** If  $R$  is a revisionist ( $\Delta > \Delta^*$ ),  $D$  launches a preventive strike.

#### 4.2.3 Discussion

The major implication of the baseline model with complete information is that large power shifts constitute a rationalist explanation for preventive wars (Fearon 1995; Powell 2004; 2006). In the baseline model, a rising state’s increase in relative capabilities tempts him to use his increased power to revise the status quo in his favor. The declining state will accommodate the rising state by ceding part of the prize if the power shift is

<sup>4</sup> It should be noted that a rising state’s degree of revisionism or dissatisfaction with the status quo depends solely on the size of the power shift in this formulation. A rising state’s subjective valuation of the good is held constant.

sufficiently small, but will resort to prevention if the power shift is so large that it would take an exceedingly large offer to accommodate the rising state.

Despite its simplicity, the baseline model nicely replicates the results of Fearon's (1995) and Powell's (2004; 2006) formal analyses of how power shifts may lead to preventive wars. As Fearon (1995) points out, "state A's inability to commit to restrain its foreign policy demands after it gains power makes preventive attack rational for state B" (406). Similarly, Powell (2006) notes that "State 2 prefers fighting in equilibrium to appeasing 1, if the adverse shift in power  $\Delta$  is sufficiently large" (183). Furthermore, the baseline model corroborates Powell's (2004: 235) finding that a power shift becomes "sufficiently large" once it exceeds the bargaining surplus, which consists of  $R$  and  $D$ 's combined costs of fighting (i.e., if  $\Delta > c_R + c_D$ ).

The baseline model also helps illustrate Fearon's (1995) conjecture that "the rising state can actually have an incentive to transfer away or otherwise limit the sources of its new strength, since by doing so it may avoid being attacked" (406-407). Recall that in the baseline model, a rising state suffers a preventive strike as soon as his gain in exceeds the critical threshold. However, if such a rising state could somehow limit his power shift to  $\Delta = c_R + c_D$ , he could expect to receive an accommodating offer  $x^*$  which would improve his payoff from  $p - c_R$  to  $p + c_D$ . Notably,  $R$ 's decision to restrain his power shift to  $\Delta = c_R + c_D$  would lead to a Pareto-improving result, as  $D$ 's utility for making an acceptable offer  $I - x^* = I - p - c_D$  is equivalent to her utility for launching a preventive strike if  $R$  does not constrain his power shift.

Although the fundamental results of the baseline model parallel Fearon's (1995) and Powell's (2004; 2006) core theoretical findings, there are also a few differences.

These differences are due to the fact that Fearon and Powell use infinite-horizon bargaining protocols, while the baseline and subsequent models in this dissertation rely on a single-shot take-it-or-leave-it (TILI) bargaining protocol. The choice to abstract away from the possibility that there may be a series of offers and counteroffers after a power shift can be defended on two grounds. First, it should be noted that the imperative of tractability always requires that stark abstractions from reality in formal models. The abstractions that one is willing to make depend first and foremost on the research question that a model is supposed to answer. For instance, Powell (2006) notes that his “model abstracts away from informational issues and focuses directly on the strategic mechanism through which the inability to commit leads to costly fighting” (195), even though he readily admits “some private information is likely to be present in cases that are fundamentally commitment problems” (194). The models in this dissertation simplify the bargaining process before and after power shifts in order to elucidate how incomplete information and different types of actions by rising states affect declining states’ strategic behavior.

Second, given the research question, the analytical value-added of using a more complex infinite-horizon bargaining protocol seems rather small. Unlike single-shot TILI bargaining frameworks, infinite-horizon bargaining protocols allow for the analysis of how actors’ discount factors over future payoffs affect equilibrium outcomes. According to Powell (2004), preventive wars become more likely the stronger the declining state cares about his future payoffs. While this is certainly an interesting finding, it seems that



it adds little to the explanation of preventive wars unless one has a substantive theory or an empirical interest in actors' discount rates.<sup>5</sup>

An additional blind spot that results from using a TILI bargaining protocol concerns the role of the speed of power shifts. According to Powell (2006), power shifts do not only have to be sufficiently large, but also relatively rapid in order to result in prevention. If power shifts take several time periods to materialize, actors will remain at peace because they can divide the flow of the good in a way that traces the gradual change in relative capabilities. On the basis of this finding, Powell (2004) conjectures that “the shifts in the distribution of military power due to differential rates of economic growth” (238) may be “empirically too small” (238) to lead to preventive wars. While the baseline model does not explicitly examine the role of the speed of a power shift, it comes to the same conclusion as Powell's analysis in that it predicts that commitment problems and preventive wars can only occur if the per-period change in relative capabilities is sufficiently large. Furthermore, it is possible to leverage on Powell's important conjecture by restricting the empirical domain of the baseline model and its extensions to instances in which actors anticipate rapid power shifts, e.g., those driven by changes in military capabilities.

While it is possible to model the bargaining process during power shifts in more detail, this theoretical choice would greatly increase the complexity of the model. At the same time, such a model is unlikely to make a significant contribution to the research question of this dissertation which focuses on how preventive wars can be avoided: as the baseline model as well as Fearon's (1995) and Powell's (2006) analyses show, a

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<sup>5</sup> This qualification may also explain why Powell (2004) does not elaborate on the role of actors' discount rates and Fearon (1995) does not mention it all.

declining state's incentive to launch a preventive strike is driven by her expectation that a rising state may achieve a significant revision of the status quo in the future. Whether a rising state will pursue this revision of the status quo through bargaining or force is largely irrelevant for the declining state's decision whether to take preventive action. Instead, what matters for the declining state is whether she expects that bargaining with a rising state will produce an expected utility that at least equals her utility for taking preventive action or not.

This leads us to perhaps the most critical feature of using a TILI bargaining protocol. As is well known in the formal conflict literature, a TILI bargaining protocol confers all the bargaining power to the proposer of an offer as it will be able to reap the entire bargaining surplus (see e.g., Leventoglu and Tarar 2008, 539; Smith and Stam 2004). The baseline model reflects this dynamic because the declining states receives  $I-x=I-p-\Delta+c_R$  if she proposes an acceptable offer while the rising state only obtains  $x=p+\Delta-c_R$ , which equals his expected utility for fighting. If we changed the bargaining protocol to a situation where the rising state had the opportunity to make a TILI offer after a power shift, he would offer  $I-x=I-p-\Delta-c_D$  to the declining state and obtain the bargaining surplus by receiving  $x=p+\Delta+c_D$  of the disputed good. Importantly, such a change in the bargaining protocol dramatically increases the destabilizing effects of a power shift: if the rising state gets to make a TILI offer, any non-zero change in relative capabilities suffices for a declining state to take preventive action as  $EU_D(prevent)=I-p-c_D > EU_D(bargain)=I-p-\Delta-c_D$  if  $\Delta > 0$ , regardless of the costs of fighting. While it is technically certainly possible to assume that the rising state makes a TILI offer, this assumption ultimately contradicts the key argument of the bargaining model of war

literature that the probability of war is inversely correlated with the costs of fighting. Furthermore, the stylized fact that pairs (or groups) of states routinely undergo small changes in relative capabilities, but rarely take violent preventive action against each other (see e.g., Lemke 2003), suggests that the baseline model's assumption that declining states make a TILI offer is empirically more tenable than assuming that rising states make TILI offers.

In sum, although there are certainly alternative approaches for modeling the strategic interaction between rising and the declining states, using a bargaining protocol where the declining state can either make a take-it-or-leave-it offer or resort to preventive action seems to be a defensible modeling choice for the baseline model and its subsequent permutations. Even though the baseline model abstracts away from the distributional properties of bargained solutions and addresses neither the role of the speed of power shifts nor the role of actors' discount rates, it does capture the key argument of the bargaining model of war literature: power shifts may lead to preventive action if the size of the power shift is sufficiently large compared to the actors' costs of fighting. Arguably, the baseline model's simplicity constitutes its chief strength because it can accommodate significant permutations with respect to the informational environment and the rising state's behavioral choices without becoming intractable.

### 4.3 The Baseline Model II: Incomplete Information Version

#### 4.3.1 Setup

In the previous section we assumed that the rising and the declining state have complete information over the size of the power shift. In line with the bargaining model of war literature (Fearon 1995; Powell 2006), the baseline model has shown that large power shifts and the resulting commitment problems offer an answer to the puzzle why rational actors would incur the inefficiencies of war. In the subsequent analysis, I assume that the power shift in favor of the rising state is his private information. It is further assumed that  $D$  knows that the power shift is drawn from the uniform distribution  $\theta^A \sim [0, \Delta_{max}=1-p]$ , but that she does not know exact size of the power shift.

As pointed out in chapters 2 and 3, the primary justification for this assumption is that some states often have incentives to misrepresent their private information in order to maximize their utilities (see Fearon 1995): more specifically, states that expect large gains in relative capabilities (e.g., due to the acquisition of nuclear capabilities) have incentives to hide or downplay these gains in order to avoid a preventive strike (see also Copeland 2000; Reiter 2006). Thus, while an adversary may suspect that a power shift will occur in the future, it will usually be uncertain over its precise magnitude.

Apart from the assumption that the size of the power shift is a rising state's private information, none of the previous assumptions are altered. The sequence of the moves and the payoffs are the same as in the complete information baseline model (see *Figure 1*).

### 4.3.2 *Equilibria*

The incomplete information version of the baseline model yields two equilibrium outcomes: a peaceful equilibrium, in which the declining state makes an accommodating offer, and a preventive war equilibrium. While similar, the equilibria in the complete and incomplete information versions of the game are not equivalent: the introduction of asymmetric information over the size of the power shift alters  $D$ 's equilibrium strategy which, in turn, increases the size of the preventive war equilibrium.

Before we turn to the equilibrium statements, let us explore the intuition behind the dynamics of the incomplete information baseline model. First, it should be noted that the introduction of asymmetric information leaves  $R$ 's strategy profile unaffected. As in the complete information version of the baseline model,  $R$ 's strategy profile is quite simple:  $R$  accepts offer  $x$  if it meets or exceeds his reservation price ( $r_R = p + \Delta - c_R$ ) and rejects otherwise.  $R$ 's reservation price is still increasing in the size of the power shift, which means, *ceteris paribus*, that it takes more generous offers to accommodate rising states with large gains in power than rising states with small gains in power.

$D$ 's payoffs and basic behavioral incentives remain unchanged as well. As before,  $D$ 's utility for launching a preventive strike puts a cap on how much  $D$  is willing to offer. Furthermore,  $D$  is interested in finding a bargaining solution with rising states that experience only a small gain in relative capabilities and wants to take preventive action against rising states that will experience a significant gain in relative capabilities.

The problem that  $D$  faces in the incomplete information version of the baseline model is that she is uncertain over the size of the power shift and hence how much she

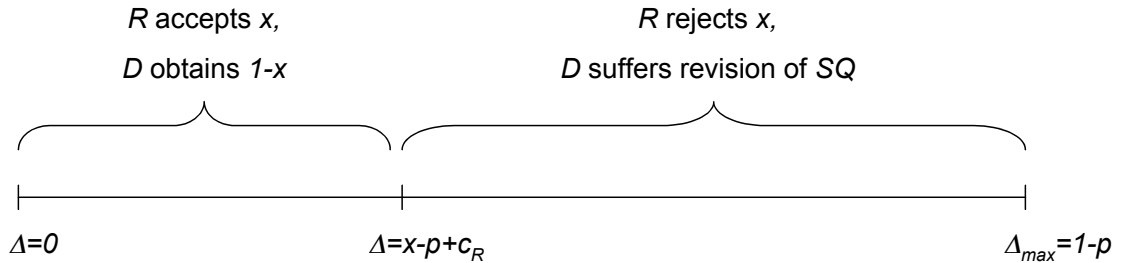
has to offer of the disputed good in order to buy off  $R$ . Whereas  $D$  knew exactly how much she had to offer to accommodate  $R$  in the complete information version of the model,  $D$  now faces a trade-off: while large offers are more likely to be accepted than small offers, they will also leave a smaller share of the prize for  $D$  to keep. The opposite is also true: while small offers allow  $D$  to keep a larger share of the prize, they are less likely to be accepted by  $R$  than large offers and more likely to result in a violent revision of the status quo.

Formally, this trade-off can be represented with the following Lagrangian  $L$ :

$$L = (x-p+c_R/I-p)(1-x) + (1-(x-p+c_R/I-p))(1-p-(x-p+c_R+I-p)/2) - c_D - \lambda(x)$$

The first component represents the probability that an offer  $x$  will be accepted by a rising state (see also *Figure 2* below). Recall that a rising state's reservation price for accepting an offer is  $r_R = p + \Delta - c_R$ . Rearranging terms shows that a rising state's willingness to accept a given offer  $x$  is decreasing in the size of the power shift: a rising state will accept a given offer if the power shift  $\Delta \leq x - p + c_R$  and reject it if  $\Delta > x - p + c_R$ . Since a rising state's minimum power shift is  $\Delta_l = 0$  and his maximum power shift  $\Delta_{max} \leq I - p$ ,  $D$  estimates that her offer will be accepted with a probability of  $(x - p + c_R) / (I - p)$ . The acceptance probability is multiplied by  $1 - x$ , which represents the share of the good that a declining state gets to keep. Note that a higher offer increases the acceptance probability but decreases the share of the good that the declining state proposes to keep.

**Figure 2: Power shifts and rising states' propensity to accept  $x$**



The next component in the Lagrangian represents the probability that an offer is rejected, which is simply 1 minus the acceptance probability, hence  $1-(x-p+c_R)/(1-p)$ . If offer  $x$  is rejected, the declining state will be subjected to violent revision of the status quo, which results in a utility of  $(1-p-(x-p+c_R+1-p)/2)-c_D$ . It is worth pointing out that the size of a declining state's offer determines which types of rising states it will have to fight in case of a violent revision of the status quo: the larger the offer, the larger the mean of the power shift of those rising states that will reject an offer. Finally, the  $\lambda(x)$ -term is included in the Lagrangian to ensure that the acceptance probability term  $(x-p+c_R)/(1-p)$  never exceeds the value of 1.

In order to provide more intuition for the logic behind a declining state's optimal offer, consider the following numerical example. Suppose  $R$  has ex ante probabilities of  $p=.2$  and costs of fighting  $c_R=.1$ . Since  $R$  can at most experience a power shift of  $\Delta_{max}=1-p=.8$ , an offer of  $x=r_R=p+\Delta_{max}-c_R=.9$  will definitely accommodate the rising state, regardless of  $D$ 's true power shift. Since the offer  $x=.9$  has an acceptance probability of 1,  $D$ 's expected utility for offering  $x=.9$  equals  $1*(1-x)=.1$ . By contrast, if  $D$  offers  $x=.3$  and proposes to keep  $1-x=.7$  of the disputed good to herself, only rising states with a power shift of  $\Delta \leq .4$  will accept  $x$ . Since  $\Delta$  ranges between 0 and  $\Delta_{max}=1-p=.8$ , offer  $x=.3$

will be accepted with a probability of .5. Since  $\Delta$  has a uniform distribution, the declining state expects that a rising state that rejects the offer will on average experience a gain in relative capabilities of  $\Delta_{mean}=(x-p+c_R+\Delta_{max})/2=.4+.8=.6$ . If we further assume that  $c_D=.1$ ,  $D$ 's expected utility for offering  $x=.3$  is  $(x-p+c_R/1-p)(1-x)+(1-(x-p+c_R/1-p))(1-p-(x-p+c_R+1-p)/2)-c_D=.325$ , which is much higher than  $D$ 's expected utility for offering  $x=.9$ .

Solving the Lagrangian analytically shows that  $D$ 's optimal offer depends on the size of  $R$ 's ex ante capabilities  $p$ . If  $p < p^* = 1 - c_R - c_D$ ,  $D$ 's optimal offer is  $x_1 = p + c_D$  and if  $p \geq p^*$ ,  $D$ 's optimal offer is  $x_2 = 1 - c_R$ . Even though both offers are optimal, only the latter offer produces an expected utility that equals or exceeds  $D$ 's expected utility for resorting to prevention. The reason for this is relatively straightforward: since a power shift in favor of a rising state that is relatively powerful to begin with (e.g.,  $p=.8$ ) will necessarily be more constrained ( $\Delta_{max} = 1 - p = .2$ ) than the potential power shift in favor of an ex ante weak state (e.g.,  $p=.3$ ,  $\Delta_{max}=.7$ ), a declining state is more confident that a rising state with high ex ante capabilities will accept a given offer than a rising state with low ex ante capabilities. Hence, if  $p \geq p^*$ , the declining state knows that the rising state's power shift and commitment problem will be limited and offers  $x^* = 1 - c_R$ , which all  $R$ -types will accept. By contrast, if  $p < p^*$ ,  $R$ 's power shift is less constrained, which means that there is a positive probability that  $R$  will reject  $D$ 's optimal offer and revise the status quo in a violent manner. Because  $D$  wants to avoid being subjected to violent revision of the status,  $D$  takes preventive action in equilibrium if  $p < p^*$ .

A notable feature of  $D$ 's equilibrium strategy is that it does not involve the risk-return component that is common to pure asymmetric information games (see e.g.,



Fearon 1995; Powell 1999). The reason for this is that experiencing a violent revision of the status quo constitutes  $D$ 's least preferred outcome, which means that there is no return for risking a potentially insufficient offer. Note that  $D$ 's aversion to making an insufficient offer does not only explain why  $D$  takes preventive action if she expects a potentially large power shift, but also clarifies why  $D$ 's equilibrium offer  $x^*=I-c_R$  under incomplete information is generally more generous than her equilibrium offer  $x^*=p+\Delta-c_R$  under complete information.<sup>6</sup>

Another striking, albeit in hindsight quite logical, property of the incomplete information version of the baseline model is that the critical ex ante capabilities cut point  $p^*=I-c_R-c_D$  corresponds with the critical power shift threshold  $\Delta^*=c_R+c_D$  of the complete information version of the baseline model. Recall that under complete information,  $D$  makes an offer if  $R$  is a “non-revisionist” whose power shift is below or equals the critical power shift threshold ( $\Delta \leq \Delta^*$ ) and takes preventive action if  $R$  is a “revisionist” who would reject  $D$ 's offer due to his large increase in relative capabilities ( $\Delta > \Delta^*$ ). Although  $D$  is uncertain over  $R$ 's true gain in relative capabilities in the incomplete information version of the baseline model,  $D$  can estimate whether a rising state may or may not be a revisionist. Specifically, if  $p \geq p^*=I-c_R-c_D$ , then  $\Delta_{max}=I-p=c_R+c_D \leq \Delta^*$ , which means that  $R$  must be a “non-revisionist.” However, if  $p < p^*$ ,  $R$ 's ex ante relative capabilities are sufficiently low so that  $R$  is a “potential revisionist” who could undergo a power shift that exceeds the critical threshold ( $\Delta_{max} > \Delta^*$ ).

Since a declining state's ability to distinguish between “non-revisionists” and “potential revisionists” on the basis of a rising state's ex ante capabilities  $p$  is crucial for

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<sup>6</sup> Only if  $R$  experiences a maximal gain in relative capabilities  $\Delta_{max}=I-p$  are both offers identical.

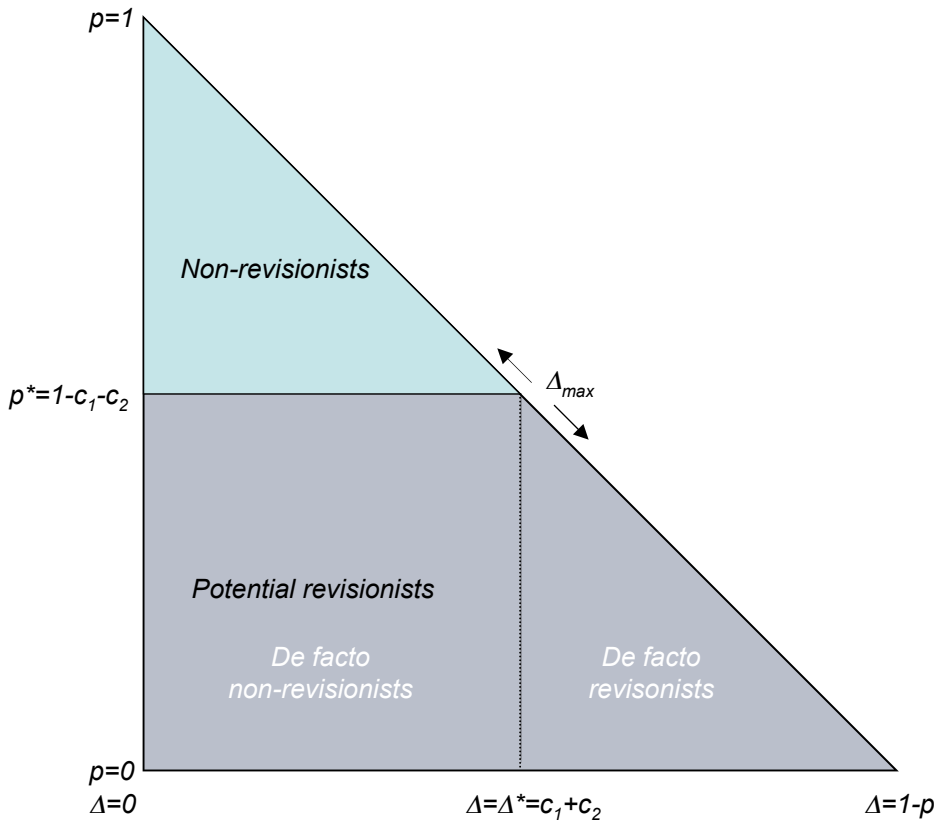
the dynamics of the incomplete information baseline model and all subsequent models, consider the following definition.

**Definition 2:** The maximal power shift  $\Delta_{max}$  in favor of  $R$  is constrained so that  $\Delta_{max} \leq 1-p$ . Rising states  $R$  with ex ante capabilities  $p \geq p^* = 1-c_R-c_D$  are called “non-revisionists” because  $\Delta_{max} \leq \Delta^* = c_R+c_D$ . Rising states with ex ante capabilities  $p < p^* = 1-c_R-c_D$  are called “potential revisionists” because  $\Delta_{max} > \Delta^*$ .

Generally, the baseline model suggests that declining states should be more concerned with power shifts in favor of ex ante relatively weak states than of ex ante relatively powerful states. Perhaps more intuitively, the baseline model predicts that the United States should be more nervous if it suspected a militarily relatively weak state such as Iran of acquiring one nuclear weapon than if it suspected China or Russia of adding one nuclear weapon to their already large nuclear weapons arsenals.

The proposed relationships between a rising state’s ex ante capabilities, his maximum power shift and the costs of fighting are illustrated in *Figure 3*. The vertical axis represents a rising state’s ex ante capabilities  $p$ , which range between 0 and 1. The horizontal axis in *Figure 3* depicts a rising state’s actual gain in relative capabilities  $\Delta$ , which is a rising state’s private information.

**Figure 3: Rising states: categories and types**



Since a rising state's relative capabilities after a power shift cannot exceed 1 (i.e.,  $p + \Delta_{max} \leq 1$ ), there is an inverse relationship between a rising state's ex ante capabilities and her maximum power shift  $\Delta_{max}$ , which is represented by the hypotenuse. Hence, a rising state that starts out with ex ante capabilities close to 0 may experience a power shift close to 1, while a rising state with ex ante capabilities close to 1 may at most undergo a power shift close to 0. The critical ex ante capabilities threshold  $p^* = 1 - c_R - c_D$  separates "non-revisionists" from "potential revisionists." While a rising state can readily distinguish these two categories of rising states, he does not know a potential revisionist's

type: a potential revisionist can be either a “de facto non-revisionist” with  $\Delta \leq \Delta^* = c_R - c_D$  or a “de facto revisionist” where  $\Delta > \Delta^*$ .<sup>7</sup>

With these distinctions in mind, we can now turn to the formal equilibrium statements. In the “accommodating” equilibrium,  $D$  makes an offer to  $R$  because she knows that  $R$ ’s ex ante capabilities are sufficiently high so that  $R$  will necessarily be a non-revisionist.  $D$ ’s equilibrium offer is sufficiently generous for it to be always accepted by  $R$ .

**Incomplete Information Baseline-Model Equilibrium I: Accommodation:** If  $R$  is a non-revisionist ( $p \geq p^*$ ),  $D$  offers  $x^* = 1 - c_R$ .  $R$  accepts  $x^*$ .

By contrast, if  $R$  is a potential revisionist,  $D$ ’s optimal offer is based on a risk-return strategy: while this offer is sufficiently large to accommodate de facto non-revisionists, de facto revisionists will reject it as insufficient. The positive probability of experiencing a violent revision of the status quo causes  $D$  to refrain from making his optimal offer in equilibrium. Instead,  $D$  is better off by launching a preventive strike.

**Incomplete Information Baseline-Model Equilibrium I: Preventive War:** If  $R$  is a potential revisionist ( $p < p^*$ ),  $D$  launches a preventive strike.

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<sup>7</sup> Three issues regarding the way the relationship between a rising state’s ex ante capabilities and his maximum gain in power are conceptualized are worth highlighting. First, the result that ex ante powerful rising states cannot experience significant gains in relative capabilities is due to the assumption that the probability distribution is bound at  $\Delta_{max} < 1 - p$ . If we were to use an unbound probability distribution for  $\Delta$ , e.g., a logistic distribution, we would obtain the weaker, but substantively similar result that rising states with high ex ante capabilities are less likely to experience a significant gain in relative capabilities than rising states that have low ex ante capabilities. Second, it is conceivable that a rising state’s probability of experiencing a large gain in relative capabilities is positively correlated with his ex ante capabilities. For instance, one could argue that a state with a medium power status is much more likely to turn into a major power than a minor power. The formal model can at least roughly incorporate this possibility by assuming that a rising state with extremely low ex ante capabilities will be perceived as non-revisionist instead of a potential revisionist by a declining state. Third, it is possible that a declining state has intelligence that a rising state’s gain in relative capabilities will be limited even though he starts out with low ex ante capabilities. Again, the baseline model and the subsequent permutations can capture this situation by treating such rising states as non-revisionists.

### 4.3.3 Discussion

The major effect of adding one-sided incomplete information over the size of a power shift to the baseline model is that it further increases the probability of preventive war. Recall that in the complete information version of the baseline model, non-revisionist rising states with small gains in power could always count on receiving an acceptable offer from the declining state. The declining state only waged preventive wars against revisionist rising states that were certain to experience a commitment problem due to a large power shift.

By contrast, in the incomplete information version of the baseline model, a declining state only makes offers to the subset of non-revisionists whose high ex ante capabilities constrain their power shift. When a facing rising state whose power shift is not constrained by high ex ante capabilities, the declining state's best strategy is to launch a preventive strike because her fear of being subjected to a violent revision of the status quo overrides her desire to seek a bargained solution.

The effect of introducing uncertainty to the baseline model is illustrated in the following graphs. *Figure 4* shows the equilibrium space for the complete information version of the baseline model, where, for illustrative purposes, the critical power shift threshold is set at  $\Delta^*=c_R+c_D=.5$ .

**Figure 4: Equilibrium space for complete information baseline model with  $c_R=.2$  and  $c_D=.5$**

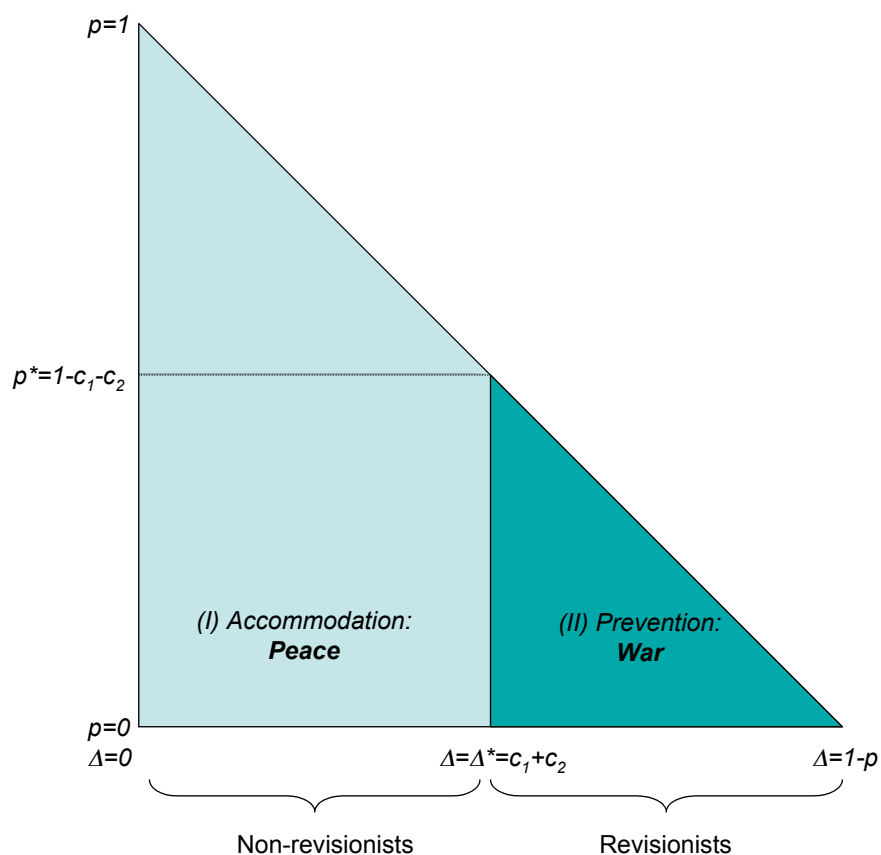
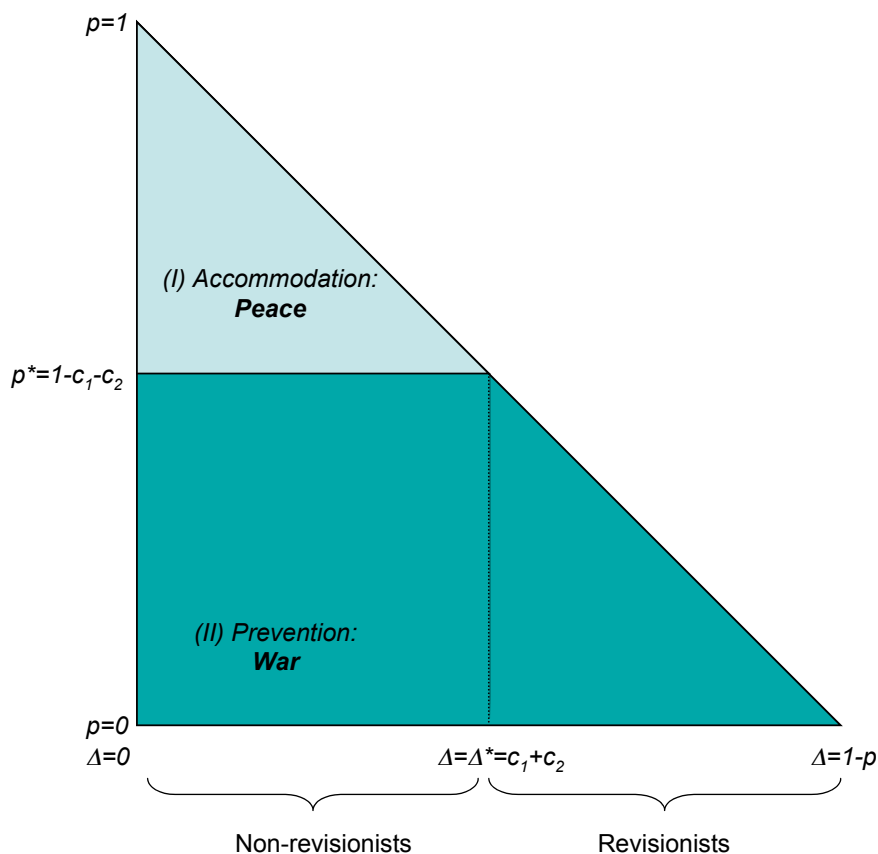


Figure 5 shows that the size of the preventive war equilibrium becomes larger if the declining state is uncertain over the size of the power shift. Here, only those rising states whose power shift is constrained by high ex ante capabilities ( $p \geq p^* = 1 - c_R - c_D$ ) will receive an accommodating offer, while the remaining rising states will experience a preventive strike.

**Figure 5: Equilibrium space for incomplete information baseline model with  $c_R=.2$  and  $c_D=.5$**



The result that de facto non-revisionists that happen to be potential revisionists suffer a preventive strike is important because the declining state would prefer to accommodate them with an offer if she only had a way of identifying them. This raises the question of whether de facto non-revisionists can take some actions to reveal their type. Furthermore, recall that in the complete information version of the baseline model we also identified incentives for a rising state to restrain his gains in power to avert a preventive strike. Hence in combination, the results from the baseline model strongly

suggest that rising states have incentives to somehow persuade declining states to refrain from taking preventive actions.

What can rising states do in order to avoid being subjected to a preventive strike? Considering that a declining state resorts to preventive action whenever it yields a payoff that exceeds her expected utility of making an offer, it is conceivable that a rising state can take two basic actions to try to avert a preventive strike: he can either try to “deter” a preventive strike by taking actions that increase a declining state’s risks or costs of resorting to prevention, or he can try “reassure” a declining state by taking actions that increase her expected utility for making an offer.

While deterrence is widely believed to represent the classical approach to avoiding war, it seems safe to conclude it constitutes an ineffective and misguided strategy in order to avert a preventive war. For deterrence to work, a rising state would have to be able to muster more forces to deter a preventive strike before a power shift than it can employ to revise the status quo after a power shift has materialized. However, given that a rising state will grow more powerful in the future, it is hard to see how this could be the case. Even though a rising state can make a preventive action more difficult and costly for a declining state by mobilizing its forces, a declining state has good reasons to expect that whatever capabilities a rising state can muster to ward off a preventive strike will be dwarfed by a rising states’ ability to revise the status quo in the future. Differently put, in order to avert prevention via deterrence, a rising state requires relative capabilities that he will only obtain after the power shift has occurred.

By comparison, the conjecture that a rising state can and will resort to a strategy of reassurance in order to avert a preventive strike appears *prima facie* much more



plausible. Instead of decreasing a declining state's expected utility for taking preventive action, a strategy of reassurance is geared towards increasing a declining state's expected utility for making an offer. Recall that a declining state's hesitation to make an offer is driven by her fear that a rising state will exploit his gain in relative capabilities to achieve a significant revision of the status quo. Hence, if a rising state takes actions to reduce the severity or the consequences of the anticipated gain in relative capabilities, for example by voluntarily limiting the extent of a power shift, he should be able to increase a declining state's expected utility for making an offer.

The following analyses will examine the effect of three types of signals of reassurance that rising states can send in order to persuade that a preventive strike is unwarranted: sunk-cost signals, audience cost-based signals and security-related tying-hands signals (Fearon 1994; 1997b; Slantchev 2005). As discussed in detail in chapter 3, these types of signals have been mainly discussed in the context of the deterrence and compellence. However, it seems that their logic is applicable only not to the question of how states can convey high levels of resolve in order to compel and deter, but also to the question of how states can communicate the absence of a future commitment problem for the purpose of reassurance. The following analyses suggest that audience cost-based signals as well as security-related tying-hands signals are powerful tools for averting preventive strike while sunk-cost signals turn out to be entirely ineffective.

Furthermore and rather unexpectedly, the analyses suggest that under some circumstances, rising states can also use audience cost-based signals and security-related signals to increase their reservation prices in an effort to coerce their opponents into making more generous offers. Importantly, for coercion to constitute a feasible strategy

for a rising state, a declining state has to be confident that a power shift will be limited and, as a result, consider preventive action to be unnecessary. However, if a rising state decides to coerce a declining state into ceding more of the disputed good, he will be careful not to demand too much because this may provoke a declining state into launching a preventive strike.

#### **4.4 Power Shifts and Sunk-Cost Signals**

##### *4.4.1 Setup*

According to Fearon (1997b), sending sunk-cost signals constitutes a powerful tool for states to reveal their resolve and thereby deter or compel their opponents. The following permutation of the baseline model examines whether sunk-cost signaling also allows rising states to communicate their private information over their true gain in relative capabilities to declining states. Conceivably, a rising state can try to utilize sunk-cost signals for two purposes. First, a rising state might try to reassure a declining that he does not expect a significant gain in relative capabilities and harbors no revisionist inclinations in order to avert a preventive strike. Second, and perhaps less obviously, a rising state may try to use a sunk-cost signal to persuade a declining state that her initial estimate of the size of the power shift is too low in order coerce her into making a more generous offer.

The setup of the sunk-cost signaling game is shown in *Figure 6* below. The informational assumptions, the sequence of moves and the payoffs are identical with the incomplete information version of the baseline model with one exception: after *R* learns

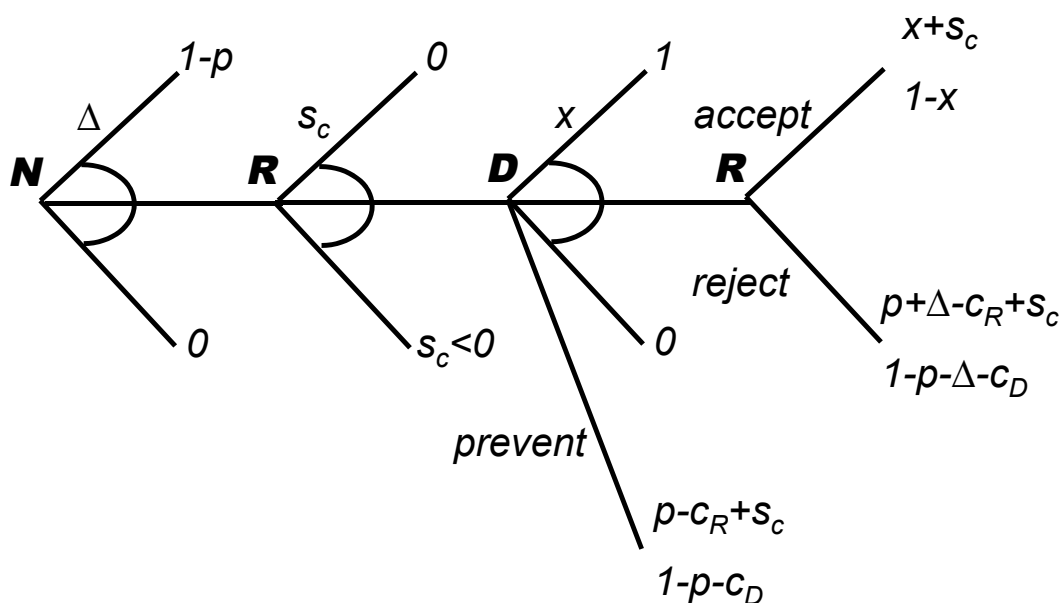
about the size of his power shift, he now can send a sunk-cost signal  $s_c$  to try to communicate his type to  $D$ , i.e., convey whether he is a revisionist or a non-revisionist. After receiving the signal,  $D$  can decide whether she wants to launch a preventive strike or make an offer. If  $D$  makes an offer,  $R$  either (i) accept the offer or (ii) reject it and revise the status quo in a violent fashion.

As implied by their name, sunk-cost signals generate costs for the sender that cannot be retrieved. Hence, if  $R$  decides to send a sunk-cost signal  $s_c$ , he will have pay for it, regardless of whether  $D$  prevents or makes an offer and regardless of whether  $R$  accepts or rejects an offer (see *Figure 6*). Even though sending a sunk-cost signal detracts from  $R$ 's utility as  $s_c < 0$  regardless of whether it is intended to reassure or to coerce, it is possible to distinguish between coercive and reassuring signals on the basis of the beliefs that support the respective equilibria. It is reasonable to expect that a sunk-cost signal that leads  $D$  to believe that she is facing a revisionist will be of a rather hostile nature, such as a show of military force. A sunk-cost signal that induces  $D$  to infer that she is facing a non-revisionist opponent ought to be of a more benevolent form, for instance the decision to offer unilateral trade concessions.<sup>8</sup>

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<sup>8</sup> A sunk-cost signal of reassurance may also be akin to a gift if it involves a utility transfer of benefits from the sender to the receiver. However, in order to qualify as a sunk-cost signal, it has to be the case that the benefits (e.g., the economic gain of having better market access during a fixed period of time) cannot be taken away from the beneficiary ex post. While it is possible to model the declining states' potential gains of sunk-cost signals explicitly, these gains are suppressed in the presentation because they are obtained regardless of the outcome of the game. Hence, potential gains from sunk-cost signals cancel out of a declining state's decision-making calculus.

**Figure 6: Coercion and reassurance with sunk-cost signals**



#### 4.4.2 Equilibria

The analysis of the sunk-cost signaling game shows that  $R$  never sends a sunk-cost signal in equilibrium. Furthermore, whether  $R$  experiences a preventive strike or not depends solely on his ex ante capabilities  $p$ : if  $R$ 's ex ante capabilities are sufficiently low ( $p \geq p^*$ ),  $D$  knows that  $R$ 's gain in relative capabilities will range between the lower boundary  $\Delta_l=0$  and the upper boundary  $\Delta_{max} \leq \Delta^*$ , which means that  $R$  must be non-revisionist. Because of this,  $D$  will make an accommodating offer that  $R$  will accept. By contrast, if  $D$ 's low ex ante capabilities ( $p < p^*$ ) allow for a power shift that exceeds the critical threshold ( $\Delta_{max} > \Delta^*$ ),  $D$  infers that she is facing a potential revisionist and launches a preventive strike in equilibrium. The corresponding equilibrium statements are as follows:

**SC-Model Equilibrium I: SC-Silence and Accommodation.** Non-revisionists ( $p \geq p^*$ ) refrain from sending a sunk-cost signal, i.e.,  $s_c^* = 0$ . On the equilibrium path,  $D$  relies on her prior beliefs over  $\Delta$  with  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p \leq \Delta^*$  and offers  $x^* = 1 - c_R$  in response to  $s_c^*$ .  $R$  accepts  $x^*$ . Off the equilibrium path,  $D$  also believes that  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p \leq \Delta^*$  and offers  $x = 1 - c_R$  regardless of the size of  $s_c$ .

**SC-Model Equilibrium II: Silence and Prevention.** Potential revisionists ( $p < p^*$ ) refrain from sending a sunk-cost signal, i.e.,  $s_c^* = 0$ . On the equilibrium path,  $D$  relies on her prior beliefs over  $\Delta$  with  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p > \Delta^*$  and launches a preventive strike in response to  $s_c^* = 0$ . Off the equilibrium path,  $D$  also believes that  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p > \Delta^*$  and launches a preventive strike regardless of the size of  $s_c$ .

In order to see why (i) these equilibrium strategies constitute a set of best replies, (ii) each player's actions are sequentially rational given their beliefs and (iii) these beliefs rely on Bayes' rule when applicable, let us first work through the intuition behind the silent and accommodating equilibrium (*SC-Model Equilibrium I*).

If  $D$  is facing a non-revisionist rising state ( $p \geq p^*$ ), she knows that the size of the maximum power shift is sufficiently constrained so that  $\Delta_{max} \leq \Delta^* = c_R + c_D$ .  $D$  also knows that  $R$ 's reservation price for accepting an offer and his incentive to revise the status quo are rather low (i.e.,  $R$ 's reservation price  $r_R$  for accepting an offer after a power shift will at most be  $r_{max} = p + \Delta_{max} - c_R = 1 - c_R$ ). Because of this,  $D$  knows that it is relatively easy to accommodate a rising state by ceding a part of the disputed good and offers  $x^* = 1 - c_R$  in equilibrium.

Because rising states that start out with high ex ante capabilities do not have to fear a preventive strike, there is no need for them to send a costly signal of reassurance. However, one might conjecture that non-revisionists may want to persuade a declining state that her prior beliefs over the size of the power shift are too low and may try to send a sunk-cost signal of coercion in order to obtain a better offer than  $x^* = 1 - c_R$ . A closer

examination reveals that non-revisionists have no incentive to send a coercive sunk-cost signal because they do not provide  $R$  with any bargaining leverage. Recall that  $R$  incurs sunk costs regardless of whether he accept or rejects an offer, which means that sunk cost signals leave his reservation price unaffected. Hence, regardless of  $R$ 's signaling behavior, his reservation price for accepting an offer will be  $r_R = p + \Delta + c_R$ . Because of this,  $D$  will ignore  $s_c$  in her calculation how much to offer to  $R$  and stick to her optimal offer for non-revisionists, which is  $x^* = I - c_R$ . Given the immutability of  $D$ 's offer,  $R$  faces a rather simple choice: he can either refrain from sending a signal ( $s_c = 0$ ) and obtain  $x^* = I - c_R$  or he can send a sunk-cost signal  $s_c < 0$ , which also elicits  $x^* = I - c_R$ , but leaves him only with  $x^* - s_c = I - c_R - s_c$ . Since sending a sunk-cost signal provides no bargaining leverage for  $R$  and only decreases his utility,  $R$  is best off by not sending a sunk-cost signal at all.

Alternatively, one might imagine that at least some non-revisionists might try to extract a better offer from  $D$  by playing separating strategies. Specifically, since non-revisionist rising states that expect a power shift close to the critical power shift threshold  $\Delta^*$  have a higher reservation price than non-revisionist rising states who expect a power shift closer to 0, the former might try to reveal themselves with a sunk-cost signal in order to receive a better offer. While plausible, such a strategy is superfluous upon closer inspection.  $D$ 's optimal offer  $x^* = I - c_R$  is already one that buys off all types of the non-revisionist rising states, including the ones whose gain in power equals the critical power shift threshold  $\Delta^*$ . Since sending sunk-cost signals does not change  $R$ 's reservation price,  $D$  has no incentive to offer more than  $x^* = I - c_R$ , even if she is convinced that  $R$  is a non-revisionist with a relatively large gain in capabilities. Because  $R$  knows that sending a

cost signal will not lead to an increase in  $D$ 's offer, he will refrain from sending such a signal.

Let us turn to the second equilibrium, in which potential revisionists refrain from sending a sunk-cost signal and  $D$  launches a preventive strike in equilibrium (*SC-Model Equilibrium II*). In order lay out the intuition behind this equilibrium, let us first assume that  $R$  does not send a sunk-cost signal. If  $R$  refrains from sending a sunk-cost signal ( $s_c=0$ ), the  $s_c$ -term effectively disappears from the model and we obtain exactly the same strategic dynamics we identified in the baseline model where  $R$ 's potentially large gain in relative capabilities induces  $D$  to take preventive action against  $R$ .

This result immediately raises the question of whether  $R$  can avert prevention by sending a sunk-cost signal  $s_c < 0$ . Unfortunately, this is not the case. In order to understand this result, recall that sending a sunk-cost signal leaves  $R$ 's potential reservation price/commitment problem entirely unaffected. Because  $R$  incurs sunk costs regardless of whether he accepts or rejects  $D$ 's offer, the sunk-cost term is irrelevant for  $R$ 's decision on how to respond to an offer by  $D$ . Because  $D$  is aware that the risk that  $R$  will reject her offer is independent from  $R$ 's signaling behavior,  $D$  will stick to her strategy of taking preventive action against a potential revisionist even if  $R$  sends a sunk-cost signal. Since  $R$  can anticipate that sending a sunk cost-signal will not change  $D$ 's dominant strategy of taking preventive action when  $R$  is a potential revisionist,  $R$  will refrain from sending a sunk-cost signal  $s_c < 0$  because it would only further decrease his expected utility of suffering a preventive strike.

What is particularly disturbing about  $D$ 's strategy of taking prevention against potential revisionists is that this group of rising states includes de facto non-revisionists

that face no commitment problem which would happily accept a small offer from  $D$ . Hence, the question arises whether de-facto non-revisionists can utilize sunk-cost signals to play a separating strategy and reveal their type to  $D$ . Suppose that de facto non-revisionists sent  $s_c^* < 0$  to reveal themselves and that  $D$  would (as desired by de facto non-revisionists) optimistically update her prior beliefs over the range of  $R$ 's power shift from  $\Delta_l = 0$  and  $\Delta_{max} = I - p > \Delta^*$  to  $\Delta_l = 0$  and  $\Delta_{max} \leq \Delta^*$  in response. Because  $D$  would conclude that  $R$  is a de facto non-revisionist that can easily be accommodated,  $D$  would offer  $x = I - c_R$ , leaving both  $R$  and  $D$  better off than if  $D$  took preventive action.

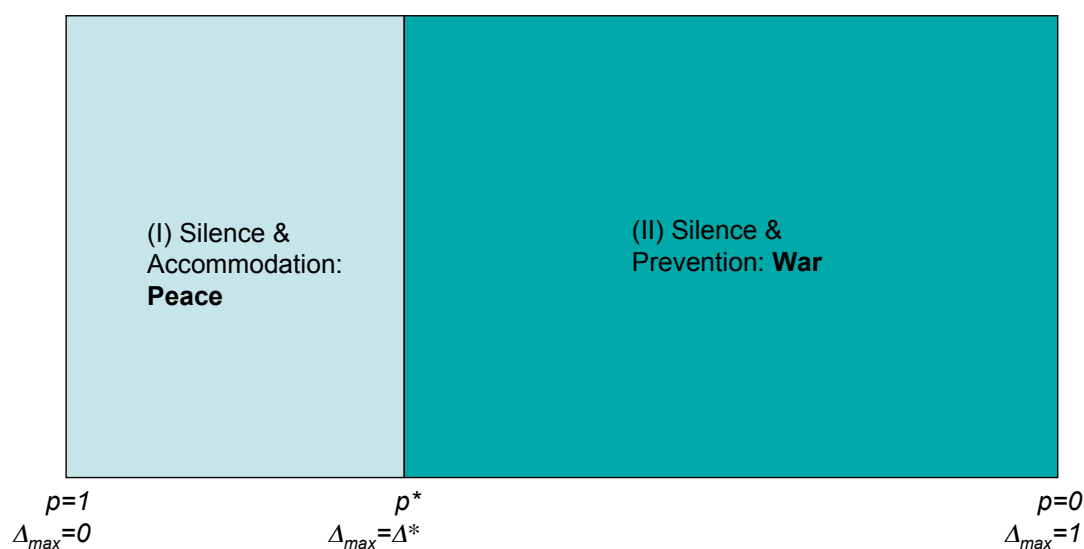
The problem with such a separating equilibrium is that de facto revisionists ( $\Delta > \Delta^*$ ) have strong incentives to pool on de facto non-revisionists' ( $\Delta \leq \Delta^*$ ) strategy of playing  $s_c^*$ . If  $R$  were to offer  $x = I - c_R$  in response to  $s_c^*$ , de facto revisionists would pool on sending  $s_c^*$  in order to also avoid a preventive strike. However, given their high reservation price, de facto revisionists would not accept  $D$ 's offer but reject it as  $p + \Delta - c_R - s_c^* > I - c_R - s_c^*$  if  $\Delta > \Delta^*$ . Furthermore, since a revisionist has more to gain from averting a preventive strike than a non-revisionist (otherwise a revisionist would also accept  $D$ 's offer), a revisionist can easily afford to match any sunk-cost signal a non-revisionist is willing to send.

Since  $D$  knows that revisionists can and will sabotage non-revisionists' efforts to reveal themselves,  $D$ 's is best off by ignoring sunk-cost signals by potential revisionists and taking preventive action against them. Since  $R$  knows that sending a sunk-cost signal will not avert a preventive strike, he will refrain from sending such a signal in order to avoid incurring its costs.



In sum, the sunk-cost signaling game has only two “silent” equilibrium outcomes, both of which are illustrated in *Figure 7* below. The illustration of the equilibrium space is based on the parameter values  $c_R=0.1$  and  $c_D=0.2$ .<sup>9</sup> As can be seen in *Figure 7*,  $D$  and  $R$  settle on a peaceful equilibrium if  $R$ 's gain in relative capabilities is constrained due to high ex ante capabilities. If  $R$ 's ex ante capabilities fall below the critical relative capabilities threshold  $p^*$  and a sufficiently large power shift therefore becomes possible,  $D$  takes preventive action in equilibrium.

**Figure 7: SC-model equilibrium space with  $c_R=0.1$  and  $c_D=0.2$**



<sup>9</sup> It should be noted that the equilibrium space of the incomplete information baseline model (*Graph 2*) and the sunk cost signaling game (*Graph 3*) is identical. The reason why the graphs look different is that *Graph 2* is designed to elucidate the relationship between  $R$ 's ex ante capabilities, his maximum gain in relative capabilities and  $D$ 's equilibrium strategy, while *Graph 3* is set up for a comparison with the equilibrium spaces of the subsequent permutations of the baseline model.

#### 4.4.3 Discussion

The major implication of the preceding analysis is that sending sunk-cost signals, be they of a reassuring or deterring nature, are ineffective tools for rising states to communicate the true extent of their anticipated gain in relative capabilities. There are two reasons for this. The first one is that sunk-cost signals do not affect a declining state's main source of concern, which is that the rising state might want to exploit a power to his advantage in the future. A simple example may help illustrate this result. Suppose a rising state is suspected of trying to acquire weapons of mass destruction and that the declining state fears that the rising state will (threaten to) use these weapons in the future in order to obtain a contested piece of territory. In order to mollify the declining state's fears and suspicions, the rising state decides to send a sunk-cost signal of reassurance by opening up his markets to the declining state's exports.<sup>10</sup> How will a declining state respond such a gesture? Although the declining state may interpret this gesture as an indication of goodwill, it will not suffice to alleviate her fears over the consequences of a power shift. The reason for this is that the rising state will have to foot the bill for granting privileged market regardless of whether he decides to exploit his gains in relative capabilities in the future or not. Hence, sending a sunk-cost signal such as granting market access does not affect a rising state's potential commitment problem at all. The declining state knows this and ignores such signals in her decision whether to take preventive action.

The second reason why sending sunk-cost signaling is an ineffective strategic tool for states that are suspected of experiencing a gain in relative capabilities is that they do

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<sup>10</sup> Importantly, let us assume that this decision only has sunk-cost effects, i.e. the rising state does not obtain any benefits from opening up its markets besides potentially changing the declining state's beliefs.

not allow them to communicate the true size of the power shift to declining states. The reason for this is that a rising state's willingness to truthfully reveal his private information over the size of the power shift and his ability to do so are chronically mismatched. With respect to reassurance, de facto non-revisionists that are wrongfully suspected of experiencing a large gain in relative capabilities are highly interested in revealing their type to a declining state in order to avoid preventive action. However, these states cannot reveal their type, because de facto revisionist rising states that experience large gains in relative capabilities have an even stronger incentive to avoid preventive action. Hence, revisionist rising states are willing and able to match any sunk-cost signal non-revisionists can afford which sabotages non-revisionists' ability to reveal themselves to a declining state.

With respect to coercion, the opposite holds true. While non-revisionists with relatively large gains in power could distinguish themselves from non-revisionists with small gains in power, they have no incentive to do so. Since a declining state's best strategy vis-à-vis a non-revisionist rising state is to make an offer that the rising state is certain to accept and because sunk-cost signals do not affect a rising state's reservation price, sending a sunk-cost signal of coercion is superfluous for a non-revisionist rising state.

The theoretical result that sunk-cost signals are of no use strategic use for rising states qualifies previous theoretical arguments on the efficacy of these types of signals in conflict situations. Specifically, the finding that issuing sunk cost signaling is of no use for rising states that want to avert preventive action constitutes an important qualification of Kydd's (2005) argument that signals of reassurance can be an effective means of

building trust and fostering interstate cooperation as long as they are sufficiently costly. The main reason for this difference in results lies in the way states' preferences are modeled. As discussed in chapter 3, Kydd's model distinguishes between so-called "security seeking types", which have an intrinsic preference for peace, and "revisionists", which have a built-in preference for war. Because of their different preference orderings, revisionists have little interest in imitating security-seekers' behavior which allows the latter to reveal themselves simply by engaging in cooperative and peaceful behavior in Kydd's model. In the theoretical model proposed in this dissertation, the differences in the preferences of revisionists and non-revisionists are less pronounced as both types of states want to avert preventive action. Since revisionists would emulate non-revisionists' behavior if the latter tried to separate themselves in an effort to avert prevention, sunk-cost signals carry no informational value for declining states. Since sunk-cost signals are costly but ineffective, rising states will refrain from issuing such signals in the first place.

Similarly, the results also qualify Fearon's (1997b) finding that sunk-cost signaling serves as an important tool for states to convey a high level of resolve in order to deter or compel their opponents in situations of asymmetric information. The model discussed above suggests that Fearon's finding does not extend to situations in which states face informational and commitment problems in combination. Roughly speaking, a declining state's fear of making an insufficient offer and having to fight from a position of weakness after a power shift is greater than a state's fear that is uncertain over an opponent's reservation price, but does not expect a decline relative capabilities. A declining state's aversion to experiencing a violent revision of the status quo gives her strong incentives to either make generous offers that are certain to be accepted or not to

make an offer at all. Because a declining state tends to engage in an all-or-nothing behavior with respect to making offers, rising states have little reason to reveal their private information over their commitment problem.

It is worth emphasizing that the results laid out above do not suggest that sunk cost signals are generally ineffective for averting war or achieving better bargains, only that they will be ineffective in conflicts that are driven by uncertainty over commitment problems. Although we turn to the empirical implications of the formal analyses in detail in chapter 5, some of the predictions of the sunk-cost signaling model are worth noting. First, declining states will essentially ignore sunk-cost signals when deciding on how to deal with rising states. Second, because rising states anticipate that sunk cost signals are strategically ineffective, rising states should generally refrain from sending sunk-cost signals in order reassure or coerce their declining opponents. Hence, if a rising state does send a sunk-cost signal, he should not be motivated by a desire to influence the declining state's decision-making calculus, but ought have different aims in mind, e.g., to satisfy domestic political imperatives.

Finally, it should be emphasized that despite the inefficacy of sunk-cost signals, violent conflict is not inevitable in situations of uncertainty over commitment problems. If a rising state's ex ante capabilities are sufficiently high, commitment problems will be solved peacefully and silently with the declining state making an acceptable offer to the rising state. Preventive actions are only likely to occur if the costs of fighting and/or the rising state's ex ante capabilities are low. Note that this empirical prediction should be taken with a grain of salt, because it is based on the assumption that rising states have only sunk-cost signals at their disposal in order to manipulate a rising state's decision-

making calculus – which, empirically speaking, will hardly be the case. In the next two sections, we will examine the effects of two alternative signals that rising states may send in the face of power shifts.

## 4.5 Power Shifts and Audience Cost-Based Signals

### 4.5.1 Setup

The following analysis examines the determinants and effects of audience cost-based (AC) signals under conditions of uncertainty over power shifts. According to Fearon's (1994; 1997b) seminal formulations, audience cost-based signals usually take the form of public statements or verbal promises by state leaders to pursue a certain policy in the future. In deterrence models, which usually assume uncertainty over resolve or relative capabilities, audience cost-based signals are understood as public commitments by leaders to stand firm to an opponent's threats or demands and to resort to military action if necessary. Leaders that fail to honor such a policy promise are assumed to be punished by either a domestic or an international audience (Fearon 1994; 1997b), which makes audience cost-based signals potentially costly and therefore credible. Note that audience cost-based signals belong to the class of tying-hands signals, because states and state-leaders can use these signals to commit themselves to take certain actions (see chapter 3 for an extended discussion).

In the following analysis, it is assumed that rising states (or their decision-making elites) can issue audience cost-based signals and thereby either increase or decrease their reservation price after experiencing a power shift. If a rising state promises not to fully exploit his potential power shift in order to revise the status quo, a rising state decreases his reservation price for accepting an offer, which ought to have a reassuring effect on the declining state and reduce her willingness to take preventive action. Alternatively, if a rising state issues a promise to revise the status quo in the future unless a declining state

makes a sufficiently generous offer, a rising state increases his reservation price. While such a coercive audience cost-based signal may induce a declining state to make a better offer, it is also conceivable that it may provoke a declining state to take preventive action if the rising state demands too much.

Importantly, it is assumed that audience costs only affect the payoffs of the rising state. Also, the full costs of these signals are only incurred if a rising state (or its decision-making elite) fails to honor his policy promise. Thus, if  $D$  decides to launch a preventive strike on  $R$  and therefore eliminates  $R$ 's opportunity to honor or dishonor his policy promise,  $R$  will not incur audience costs. However, if  $R$  sends an audience cost-based signal of reassurance but decides to revise the status quo by force after a power shift, he incurs audience costs. By contrast, if  $R$  sends a signal of coercion, it is assumed that he forgoes audience benefits if he accepts an offer. While this technical assumption may be counterintuitive, it has the same behavioral implications as assuming that  $R$  will incur audience costs if he fails to honor a promise to reject an offer that lies below his announced reservation price.

Furthermore, it is assumed that a rising state always incurs sunk opportunity costs  $\gamma(s_a)^2$  for the act of issuing an audience cost-based signal (see Slantchev 2005 for a similar notion in the context of military coercion). This opportunity cost component is used to express the ideas that (i) issuing a persuasive audience-cost based signal always requires some effort by the sender and that (ii) that proportionally, making a strong promise is associated with a higher effort than issuing a weaker and less binding promise.

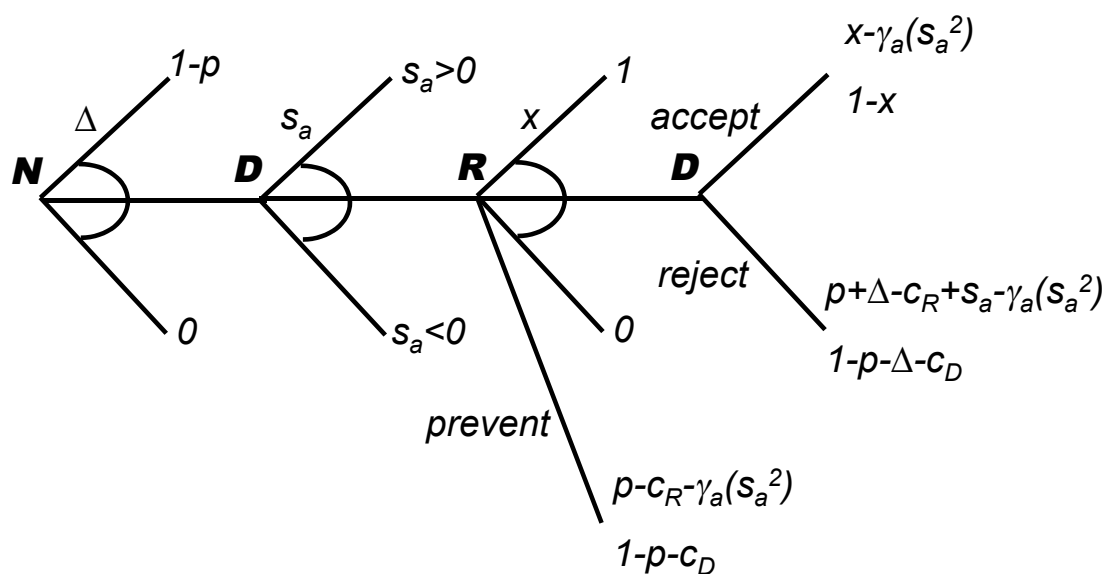
The opportunity cost component makes it possible to express the idea that the ease with which a rising state can make credible policy promises may differ across states



and situations. As noted in chapter 3, it is frequently asserted that leaders in democratic states find it easier to tie their hands with their domestic audiences than non-democratic states (Fearon 1997b). Apart from regime type, one could argue that leaders with status quo-oriented audiences should face higher opportunity costs for sending coercive signals than leaders with revisionist audiences, who in turn, should find it more difficult to send reassuring signals.

The formal setup of the coercion and reassurance game with AC-signals is shown in *Figure 8* below. The structure of the game only differs from the sunk-cost signaling game in the specification of  $R$ 's payoffs. By sending an audience cost-based signal  $s_a$ ,  $R$  can either increase or decrease his payoff from revising the status quo after a power shift. If  $D$  takes preventive action before  $R$  can fulfill his promise,  $R$  only pays opportunity costs for having sent an audience cost-based signal.

**Figure 8: Coercion and reassurance with audience cost-based signals**



If  $R$  promises his audience to engage in “hard bargaining” or to obtain a minimum share of the prize in question, he increases his political incentives to revise the status quo in the future. As will become clear below,  $R$  does not intend to deter a preventive strike with such a signal, but to coerce  $D$  into increasing the size of the offer. The idea that sending a coercive audience cost-based signal increases  $R$ 's reservation price for accepting an offer is modeled by adding the value of the  $s_a$ -term ( $s_a > 0$ ) to  $R$ 's payoffs for rejecting an offer.

Audience cost-based signals of reassurance work the opposite way: by issuing a promise to adhere to peace,  $R$  can diminish his incentives to revise the status quo after a power shift. The purpose of such a reassuring signal is to reduce  $D$ 's willingness to take preventive action against  $R$ . Formally, audience cost-based signals of reassurance detract from  $R$ 's utility for revising the status quo after the power shift (i.e.,  $s_a < 0$ ). In order to

distinguish coercive from reassuring audience cost-based signals, the former are symbolized as  $s_{ac}$  and the latter as  $s_{ar}$ .

#### 4.5.2 *Equilibria*

The analysis of the audience cost-based signaling game suggests that these types of signals constitute powerful strategic tools for rising states. In the “coercive” equilibrium, non-revisionist rising states do not have to fear a preventive strike due to their limited gain in relative capabilities use audience cost-based signals to extract better offers from the declining state. In the “reassuring” equilibrium, potential revisionists resort to audience cost-based signals to avert a preventive strike by promising not to exploit a potentially large power shift in their favor. Rising states refrain from sending an audience cost-based signal under two conditions. First, if a non-revisionist’s ex ante capabilities are sufficiently low for him to potentially experience a power shift that equals the critical power shift threshold, reassurance is superfluous and coercion too dangerous. Second, a potential revisionist refrains from sending a reassuring signal and willingly endures a preventive strike if his opportunity costs for reassurance exceed a certain threshold.

In order to work through the details behind these equilibria, it is useful to briefly examine what happens if  $R$  refrains from sending a signal (i.e.,  $s_a=0$ ). If  $R$  refrains from sending an AC-signal,  $D$  has to rely on her prior beliefs over the size of  $R$ ’s gain in relative capabilities, which are informed by the size of  $R$ ’s ex ante capabilities. If  $R$ ’s ex ante capabilities are sufficiently high ( $p \geq p^*$ ),  $D$  knows that  $R$  must be a non-revisionist because his maximum power shift will be limited ( $\Delta_{max} \leq \Delta^*$ ). Here,  $D$  makes an offer.

When dealing with a potential revisionist, whose low ex ante capabilities allow for a large power shift ( $p < p^*$  and  $\Delta_{max} > \Delta^*$ ),  $D$  is better off by launching a preventive strike. These dynamics are important because they provide non-revisionists with very different incentives for using audience cost-based signals than potential revisionists.

Let us examine non-revisionists' ( $p \geq p^*$ ,  $\Delta_{max} \leq \Delta^*$ ) behavioral incentives in more detail. If non-revisionists refrain from sending an AC-signal (i.e.,  $s_a = 0$ ),  $D$  makes her optimal offer  $x = I - c_R$  because  $D$  knows that  $R$ 's high ex ante capabilities rule out the possibility that  $R$  will face a significant commitment problem. What happens if  $R$  sends a signal of reassurance? If  $R$  sends a signal of reassurance  $s_a < 0$ ,  $R$  lowers his reservation price for accepting an offer from  $r_R = p + \Delta - c_R$  to  $r_R = p + \Delta - c_R - s_{ar}$ .<sup>11</sup> Because  $D$  knows that  $R$  can be bought off at a lower price if  $R$  reassures,  $D$  will decrease the size of her optimal offer from  $x = I - c_R$  to  $x = I - c_R - s_{ar}$  in order to keep more of the good to herself. Hence, if a non-revisionist sends a signal of reassurance, he obtains a smaller offer. Because a smaller offer decreases  $R$ 's utility, reassurance is not a rational strategy for a non-revisionist.

However, a non-revisionist may increase his utility by issuing an audience cost-based signal of coercion. By sending a signal of coercion  $s_a > 0$ ,  $R$  raises his reservation price (from  $r_R = p + \Delta - c_R$  to  $r_R = p + \Delta - c_R + s_{ac}$ ) and with it, the size of the offer he requires in order to accept.  $D$  will respond to  $R$ 's signal of coercion by making a more generous offer, provided that  $R$  does not overcoerce  $D$ . Recall that  $D$  finds it easier to accommodate rising states with high ex ante capabilities than with low ex ante capabilities, because power shifts in favor of the former are likely to be less severe.

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<sup>11</sup> Note that  $R$ 's opportunity costs  $\gamma(s_a)^2$  for sending an audience cost-based signal do not affect his reservation price, because these costs will be incurred regardless of whether he accepts or rejects and therefore cancel out.

Because of this,  $D$ 's tolerance vis-à-vis coercion decreases as  $R$ 's ex ante capabilities become smaller. Indeed, if  $R$ 's ex ante capabilities are so low that he might experience a power shift that equals the critical power shift threshold ( $p=p^*$  and  $\Delta_{max}=\Delta^*$ ),  $D$  is sufficiently nervous where even the slightest signal of coercion would provoke  $D$  into taking preventive action.

The specific size of the coercive signal does not only depend on  $R$ 's ex ante capabilities, but also on his opportunity costs for issuing such a signal. If  $R$ 's opportunity cost factor is sufficiently low ( $\gamma_a \leq \gamma_a^*$ ),  $R$  will send the largest coercive signal that  $D$  will tolerate without resorting to prevention. More specifically,  $R$  will send  $s_{ac}^* = -I + c_R + c_D + p$ .  $D$ 's best response to  $s_{ac}^*$  is to offer  $x^* = I - c_R + s_{ac}^*$ . Since  $x^*$  is just large enough to be definitely accepted by  $R$ ,  $D$ 's expected utility for offering  $x^*$  is  $I - x^*$ , which equals  $D$ 's expected utility for taking preventive action as  $I - x^* = I - (I - c_R + s_{ac}^*) = I - p - c_D$ .

By contrast, if  $R$ 's opportunity costs cross a critical opportunity threshold ( $\gamma_a > \gamma_a^*$ ),  $R$  will voluntarily limit the degree to which he coerces  $D$  in order to strike the optimal balance between (i) maximizing  $D$ 's offer and (ii) minimizing the opportunity costs  $R$  has to pay for coercing  $D$ . Instead of sending  $s_{ac}^*$ ,  $R$  will therefore send the slightly smaller signal  $s_{ac}^{**}$ . In response to  $s_{ac}^{**}$ ,  $D$  will lower his equilibrium offer from  $x_{ac}^*$  to  $x_{ac}^{**}$  in equilibrium, which is also certain to be accepted by  $R$ .

**AC-Model Equilibrium Ia, Ib: AC-Coercion and Accommodation:** Non-revisionists ( $p \geq p^*$ ) send audience cost-based signals of coercion  $s_{ac}^*$  and  $s_{ac}^{**}$ . Non-revisionists send  $s_{ac}^* = -I + c_R + c_D + p$  if  $\gamma_a \leq \gamma_a^* = 1/2 + 2c_R + 2c_D + 2p$  and  $s_{ac}^{**} = 1/2\gamma_a$  if  $\gamma_a > \gamma_a^*$ . On the equilibrium path,  $D$  relies on her prior beliefs over  $\Delta$  with  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p \leq \Delta^*$  and offers  $x_{ac}^* = I - c_R + s_{ac}^*$  in response to  $s_{ac}^*$  and  $x_{ac}^{**} = I - c_R + s_{ac}^{**}$  in response to  $s_{ac}^{**}$ .  $R$  accepts  $x_{ac}^*$  and  $x_{ac}^{**}$ , respectively. Off the equilibrium path,  $D$  also believes that  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p \leq \Delta^*$  and offers  $x = I - c_R + s_a$  if  $s_a < -I + c_R + c_D + p$  and launches a preventive strike if  $s_a > -I + c_R + c_D + p$ .

Before we move on to the next equilibrium, a few comments regarding the off-equilibrium beliefs that support the *AC-Model equilibria Ia* and *Ib* are in order. As noted in the equilibrium statement above, it is assumed that *D* maintains her prior beliefs that the size of the power shift  $\Delta$  ranges between  $\Delta=0$  and  $\Delta_{max}=1-p$  if *R* deviates from  $s_{ac}^*$  and  $s_{ac}^{**}$ , respectively. With these beliefs, *D* reduces her offer if *R* undercoerces (i.e., if *R* sends  $s_{ac} < s_{ac}^*$ ) and takes preventive action if *D* overcoerces (i.e., if *R* sends  $s_{ac} > s_{ac}^*$ ) off the equilibrium path. Since *R* prefers larger offers to smaller offers and wants to avoid being subjected to preventive action, *D*'s off-equilibrium beliefs and strategies support *R*'s incentive to retain his equilibrium strategy.

The question arises whether there are any other off-equilibrium beliefs that support *R*'s incentive to stick to his equilibrium strategy. The short answer is that there are, but that these beliefs are all subsets of the off-equilibrium beliefs posited in the equilibrium statement. For instance, one could assume that in response overcoercion, *D* had more pessimistic off-equilibrium beliefs than posited above, that is, that *D* believed that *R*-types with relatively large gains in power shift are more likely to overcoerce than *R*-types with small gains in power. With these more pessimistic beliefs, *D*'s best strategy would still be to respond to overcoercion with a preventive strike. However, it is not clear why *D* should become more pessimistic with respect to the size of the power shift if *R* overcoerces. Even more importantly, it is not necessary to restrict *D*'s off-equilibrium beliefs this way in order to motivate the equilibrium of limited coercion. It is worth pointing out that the specification of the off equilibrium beliefs in the following equilibria adheres to the same logic: while various (but not all) equilibria can be supported with both more pessimistic and more optimistic off equilibrium beliefs, the equilibria will

always be motivated with the most inclusive off-equilibrium beliefs possible, which in most cases means that  $D$  is assumed to believe that  $\Delta$  has a uniform distribution with a lower boundary of  $\Delta_l=0$  and an upper boundary of  $\Delta_{max}=1-p$  as posited above.

Next, let us turn to the strategic dynamics when the declining state is facing a potential revisionist that starts out with low ex ante capabilities ( $p < p^*$ ) and hence may experience a gain in relative capabilities that exceeds the critical power shift threshold ( $\Delta_{max} > \Delta^*$ ). If  $R$  refrains from issuing a signal (i.e.,  $s_a=0$ ),  $D$ 's fear that  $R$  will grow significantly stronger in the future will induce  $D$  to take preventive action. Sending a signal of coercion ( $s_a > 0$ ) now constitutes an entirely counterproductive strategy for  $R$ , as it would further increase  $R$ 's reservation price and with it,  $D$ 's determination to take preventive action. Furthermore,  $R$  would incur opportunity costs for trying to coerce  $D$ , which would reduce his payoff from  $p-c_R$  to  $p-c_R-\gamma(s_a)^2$ .

However,  $R$  can improve matters by issuing a signal of reassurance  $s_{ar}$  which reduces  $R$ 's reservation price by  $s_a < 0$  and increases  $D$ 's willingness to make an offer. While a signal of reassurance does not affect  $D$ 's prior beliefs over the average size of  $R$ 's gain in relative capabilities,  $D$  knows that it decreases  $R$ 's temptation to reject an offer and revise the status quo after a power shift  $s_{ar}$ . In order to persuade  $D$  to refrain from taking preventive action,  $R$ 's signal of reassurance has to be large enough so that  $D$ 's expected utility of making an offer at least equals her utility for taking preventive action. Although  $R$  wants to avoid preventive action, he also wants to obtain the most generous offer possible. Hence,  $R$ 's optimal signal of reassurance is  $s_{ar}^* = 1-p-c_R-c_D$ , which is just large enough for  $D$  to weakly prefer making an offer to resorting to prevention. In response to  $s_{ar}^*$ ,  $D$  will offer  $x_{ar}^* = 1-c_R-s_{ar}^*$ .  $D$ 's optimal offer  $x_{ar}^*$  is

sufficiently large to always be accepted by  $R$ , regardless of  $R$ 's true gain in relative capabilities.

Note that  $R$ 's optimal signal of reassurance  $s_{ar}^* = 1 - p - c_R - c_D$  is decreasing in his relative capabilities  $p$ . The reason for this is that potential revisionists that are relatively weak to begin with may experience a larger power shift than potential revisionists that have high ex ante capabilities. Because of this, the former need to reduce their reservation price by a larger degree than the latter in order for  $D$  to be willing to make an offer.

**AC-Model Equilibrium II: AC-Reassurance and Accommodation:** Potential revisionists ( $p < p^*$ ) send an audience cost-based signal of reassurance  $s_{ar}^* = 1 - p - c_R - c_D$  if  $\gamma_a \leq \gamma_a^{**} = c + c_D / (1 - c_R - c_D - p)^2$ . On the equilibrium path,  $D$  relies on her prior beliefs over  $\Delta$  with  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p > \Delta^*$  and offers  $x_{ar}^* = 1 - c_R - s_{ar}^*$  in response to  $s_{ar}^*$ .  $R$  accepts  $x_{ar}^*$ . Off the equilibrium path,  $D$  also believes that  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p > \Delta^*$  and offers  $x = 1 - c_R - s_a$  if  $s_a \leq 1 - p - c_R - c_D$  and launches a preventive strike if  $s_a > 1 - p - c_R - c_D$ .

Returning to  $R$ 's on-equilibrium behavior, note that  $R$  will only send a signal of reassurance  $s_{ar}^*$  if his opportunity costs for issuing such a signal are sufficiently low. If the opportunity cost factor  $\gamma_a$  exceeds the critical threshold  $\gamma_a^{**}$ ,  $R$ 's net utility for obtaining an offer from  $D$  at the cost of  $\gamma_a (s_a)^2$  will be lower than his utility for not sending an signal of reassurance and suffering a preventive strike. Thus, if a potential revisionist's opportunity cost factor exceeds the critical opportunity cost threshold  $\gamma_a^{**}$ , he will refrain from sending an audience cost-based signal altogether ( $s_a^* = 0$ ), which induces  $D$  to take preventive action in equilibrium. Note that the critical opportunity cost threshold  $\gamma_a^{**} = c + c_D / (1 - c_R - c_D - p)^2$  is increasing in a potential revisionists' ex ante capabilities  $p$ . Since potential revisionists with low ex ante capabilities have to send stronger signals of reassurance than potential revisionists with high ex ante capabilities,

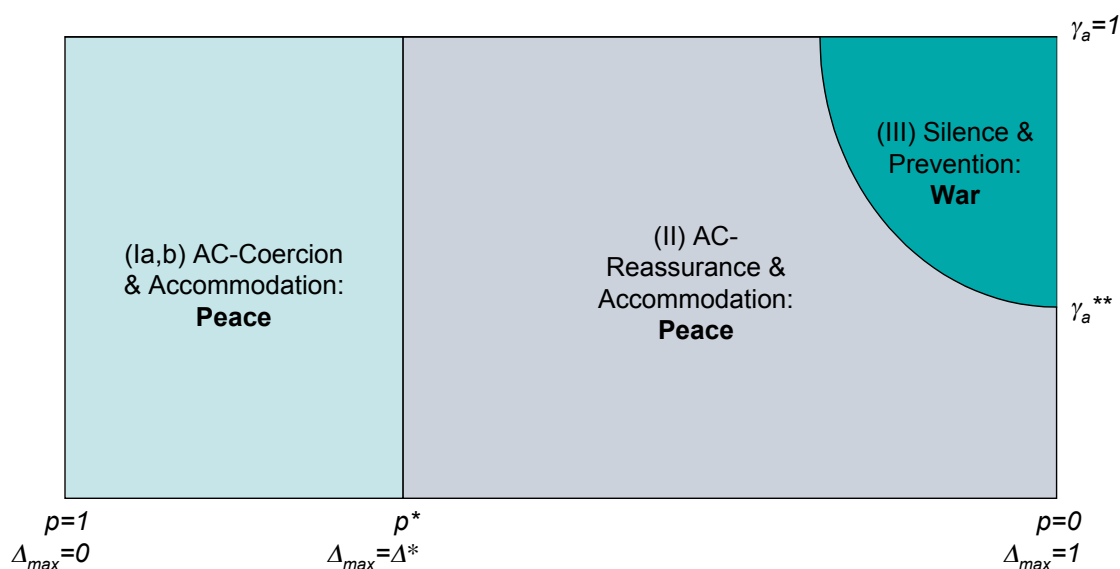


the former are more likely to find themselves constrained by their opportunity costs than the latter (see also *Figure 9*).

**AC-Model Equilibrium III: Silence and Prevention:** Potential revisionists ( $p < p^*$ ) refrain from sending an audience cost-based signal, i.e.,  $s_a^* = 0$  if  $\gamma_a > \gamma_a^{**}$ . On the equilibrium path,  $D$  relies on her prior beliefs over  $\Delta$  with  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p > \Delta^*$  and launches a preventive strike in response to  $s_a^*$ . Off the equilibrium path,  $D$  also believes that  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p > \Delta^*$  and offers  $x = 1 - c_R - s_a$  if  $s_a \leq 1 - p - c_R - c_D$  and launches a preventive strike if  $s_a > 1 - p - c_R - c_D$ .

A graphical illustration of the AC-Model's equilibrium space is shown in *Figure 9* below, which is based on the parameter values  $c_R = 0.1$  and  $c_D = 0.2$ . The graph shows that if  $R$ 's maximum power shift is sufficiently low because  $R$  starts out with relatively high ex ante capabilities,  $R$  can afford to coerce  $D$  in equilibrium, but still obtain an offer. Once  $R$ 's ex ante capabilities fall below the critical threshold  $p^*$ ,  $R$  feels compelled to reassure  $D$  in order to avert preventive action and obtain an offer instead.  $R$ 's opportunity costs start to constrain his willingness to reassure  $D$  as  $R$ 's ex ante capabilities grow. If  $R$ 's opportunity cost factor exceeds the critical threshold  $\gamma_a^{**}$ ,  $R$  refrains from sending an audience cost-based signal of reassurance and endures a preventive strike by  $D$ .

**Figure 9: AC-model equilibrium space with  $c_R=0.1$  and  $c_D=0.2$**



#### 4.5.3 Discussion

The analysis above suggests that audience cost-based signals constitute powerful strategic tools for rising states when their declining opponents are uncertain over the size of an impending power shift. Perhaps the most important substantive result from the theoretical analysis is that audience cost-based signals of reassurance allow rising states to effectively avert preventive action by declining states. This suggests that extant theoretical approaches on power shifts, which largely ignore rising states' incentives to reassure declining states, tend to overpredict the occurrence of preventive action (see chapter 2).

As shown in *Figure 9*, a rising state ought to reassure a declining state if two conditions are met. The first condition is that a rising state's ex ante capabilities are sufficiently low so that a power shift may be sufficiently large for a declining state to seriously contemplate taken preventive action. Hence, it is a rising state's fear of being

subjected to a preventive strike that induces him to reassure a declining state. Second, a rising state must find it sufficiently easy to issue a credible signal of reassurance. If issuing such a signal is exceedingly difficult, for instance due to domestic political factors, then a rising state may prefer to refrain from sending a signal and endure prevention instead.

Furthermore, the theoretical analysis suggests that audience cost-based signals also allow rising states to coerce opponents into making a better offer. This dynamic has also been ignored in the extant literature on power shifts because this literature is primarily concerned with the conditions under which the anticipation of power shifts induce declining states to take preventive action against rising states. It is important to note that a rising state can only afford to coerce a declining state into making a better offer if a declining state is convinced that a power shift will be limited. Furthermore, a rising state will be careful not to overcoerce a declining state because excessive demands might provoke a declining state into taking prevention even though the size of the power shift is limited. Another limiting factor for the degree to which a rising state coerces a declining state into making a more generous offer is the ease with which a rising state can issue an audience cost-based signal of coercion. If a rising state's opportunity costs for coercing a declining are too high, for instance because domestic or international audiences will view such a strategy with disdain, a rising state will limit the degree of coercion.

There are two additional results of the previous analysis that are of empirical importance. The first one is that if a rising state decides to send an audience cost-based signal, a declining state will respond with an offer that the rising state is certain to accept.

Differently put, audience cost-based signals should rarely be used to “deceive” an opponent into making an offer that will be rejected. While derived under different assumptions, this basic result is in line with Fearon’s (1997b) finding that audience cost-based signals will never be used in order to bluff.

Second, it may be somewhat surprising that there are no separating equilibria in the audience cost-based signaling game. With respect to reassurance, one might intuitively expect that rising states with small gains in power should try to separate themselves if their opportunity costs make playing a pooling strategy with rising states that expect large gains in power infeasible. Upon closer observation, it becomes clear that this intuition is misleading because potential revisionists with small gains in power do not face different behavioral incentives for reassurance than potential revisionists with large gains in power.  $D$ ’s on and off-equilibrium-path strategy of only making an offer if  $R$  sends a sufficiently reassuring signal so that  $R$  will definitely accept  $D$ ’s offer destroys any incentives for  $R$  to separate. Hence, when deciding whether and to what degree to reassure  $D$ ,  $R$  compares his expected utility for enduring a preventive strike with his expected utility for reassuring  $D$  and receiving an acceptable offer, neither of which is a function of  $R$ ’s true gain in power.  $R$  would only have an incentive to play a separating strategy if some types expected to reject  $D$ ’s offer, which is ruled out by  $D$ ’s strategy of only making acceptable offers.

The lack of coercive separating equilibria is also due to the fact that there is no  $R$ -type that stands to benefit from revealing his true gain in relative capabilities. Recall that unless  $R$  faces high opportunity costs,  $R$  already coerces  $D$  to a degree where  $D$  is just barely willing to make an offer in the pooling equilibrium. If  $R$  were to coerce any

stronger, he would elicit not a better offer, but provoke a preventive strike. Also, for most non-revisionist *R*-types playing a pooling strategy of coercion is quite lucrative because it elicits a better offer than they would obtain if *D* knew their true gain in relative capabilities.

These latter considerations lead to a final, more general point. Although audience cost-based signals appear to be formidable strategic tools for both reassurance and coercion in situations of uncertainty over power shifts, it should be noted that their effectiveness is not due to a reduction of asymmetric information. Because the AC-signaling model supports only pooling equilibria, a declining state cannot learn anything about a rising state's true power shift on the basis of his signaling behavior. The reason why audience cost-signals of reassurance work is that they manipulate a rising state's potential commitment problem as to render the problem of asymmetric information harmless. Furthermore, because audience cost-based signals tackle a rising states' commitment problem, these types of signals should also be effective under conditions of complete information.

## **4.6 Power Shifts and Security-Related Tying-Hands Signals**

### *4.6.1 Setup*

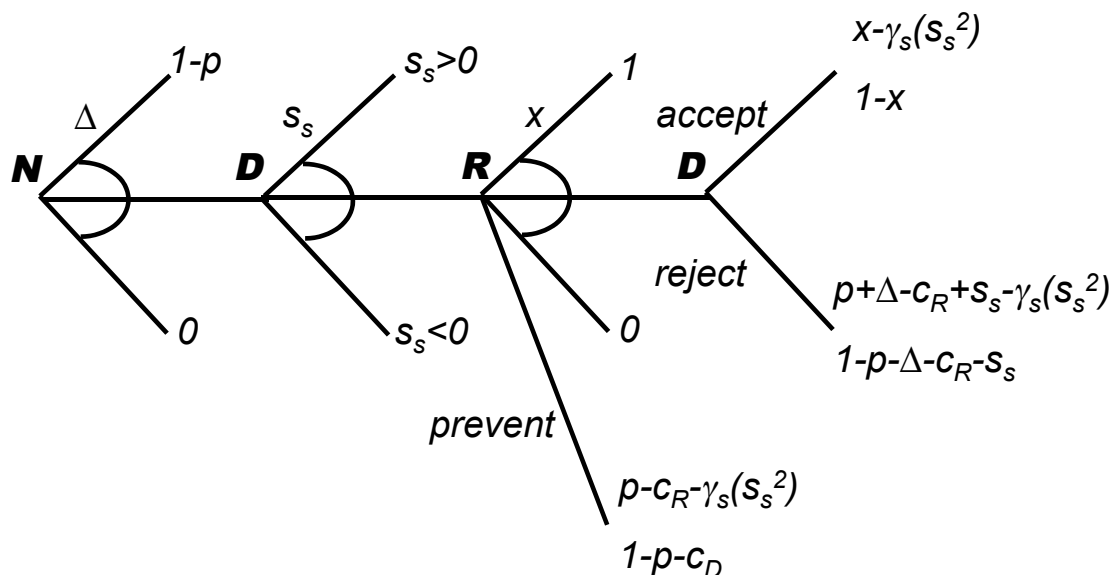
In the following analysis we will examine the determinants and effects of security-related tying-hands signaling under conditions of uncertainty over power shifts. With security-related tying-hands (SRTH) signals, actors can manipulate their incentives to revise the status quo after a power shift (see Slantchev 2005). Security-related tying-hands signals

of coercion, such as military mobilization or increases in the defense budget, are steps that rising states can take in order to further increase their incentives to revise the status quo after a power shift in the hope of inducing their declining opponents to make better offers. Security-related tying-hands signals of reassurance have the opposite effect: actions such as voluntary disarmament or demobilization decrease a rising state's incentives to revise the status quo in the future and may elicit offers in situations where a declining state would otherwise resort to prevention.

Security-related tying-hands signals are similar to audience-cost based signals insofar as actors use them to commit themselves to future policies. However, unlike audience cost-based signals, security-related tying-hands signals do not only affect the payoffs of the sender but also of the receiver, albeit in the opposite direction. Thus, if a rising state  $R$  manages to ready its forces before fighting breaks out, it is assumed that  $R$  will be somewhat advantaged on the battlefield while  $D$  will be disadvantaged in the case of war. Security-related tying-hands signals of reassurance, such as disarmament, also have a dual effect by decreasing  $R$ 's utility for using force and increasing  $D$ 's utility if fighting breaks out.

Furthermore, it is assumed that sending security-related tying-hands signals usually generates some sunk opportunity costs  $\gamma_s(s_s^2)$ , which are incurred by the sender regardless of the outcome (see Slantchev 2005). The opportunity cost component is used to express the notion that taking actions that affect the military balance (or the costs of fighting) will always generate some financial, organizational or political costs for the sender that cannot be retrieved.  $R$ 's opportunity costs are the product of the opportunity cost factor  $0 < \gamma_s \leq 1$  and the squared strength of a signal (i.e.,  $s_s^2$ ).

**Figure 10: Coercion and reassurance with security-related tying-hands signals**



The setup of the security-related tying-hands signaling game follows the same structure as the previous games and is shown in *Figure 10* above. The game begins with a random draw over the size of the power shift  $\Delta$ , followed by  $R$ 's decision whether to send an SRTH-signal of coercion, an SRTH-signal of reassurance or no signal at all. In response to  $R$ 's choice over  $s_s$ ,  $D$  can decide whether to launch a preventive strike, which ends the game, or make an offer  $x$ . If  $D$  makes an offer,  $R$  can decide whether to accept or reject the offer and revise the status quo in a violent fashion.

Security-related tying-hands signals affect payoffs as follows. If  $R$  sends a coercive security-related tying-hands signal  $s_{sc}$ , the value of  $s_s > 0$  is added to  $R$ 's payoff and deducted from  $D$ 's payoff if a violent revision the status quo occurs. A reassuring SRTH-signal  $s_{sr}$  (i.e.,  $s_s < 0$ ) has the opposite effect: it decreases  $R$ 's and increases  $D$ 's utility if a violent revision of the status quo occurs. Thus, SRTH-signals of reassurance effectively dampen the strategic advantage  $R$  will obtain once a power shift has

materialized. Note that  $R$  always incurs some opportunity costs for sending a security-tying hands signal  $\gamma_s(s_s^2)$ , regardless of the outcome of the game.

#### 4.6.2 *Equilibria*

The equilibria of the SRTH-game closely resemble the equilibria of the audience cost-based signaling game. The rising state  $R$ 's ex ante capabilities are again critical for the equilibrium dynamics because they affect  $D$ 's prior beliefs over the size of power shift in favor of  $R$ : if  $R$  is constrained to be a non-revisionist ( $p \geq p^*$ ), he can extract a better offer from  $D$  by sending an SRTH-signal of coercion, provided his ex ante capabilities are sufficiently high. If  $R$  is a potential revisionist ( $p < p^*$ ) who might face a commitment problem, he needs to send a signal of reassurance in order to avert a preventive strike and obtain an offer from  $D$ . Whether a potential revisionist sends a signal of reassurance depends on his opportunity cost factor  $\gamma_s$ : if  $\gamma_s$  exceeds the critical thresholds  $\gamma_s^{**}$  or  $\gamma_s^{***}$ , a potential revisionist will refrain from sending a signal and endure a preventive strike because the benefits of averting a preventive strike do not justify the costs of sending a sufficiently reassuring SRTH-signal.

Although the dynamics of SRTH and the AC-game are very similar, they are not identical: unlike the AC-signaling game, the SRTH-signaling game allows for the possibility of a violent revision of the status quo in the reassuring equilibrium. Recall that in AC-signaling game,  $D$ 's optimal offer in response to reassurance is one that will always be accepted by  $R$ . In the present game,  $D$ 's optimal response to a signal of reassurance is to make a risk-return offer, which includes the positive probability of being



rejected by  $D$ . Thus, even if  $R$  sends an SRTH-signal of reassurance and receives an offer in response, there is a non-zero probability that  $R$  will choose to revise the status quo after the occurrence of a power shift.

Let us elaborate on the dynamics of the SRTH-game by first examining what happens when  $D$  perceives  $R$  to be non-revisionist because  $R$ 's high ex ante capabilities are relatively high (i.e.,  $p \geq p^*$ ). Here,  $D$  knows that  $R$ 's power shift  $\Delta$  ranges between  $\Delta_l = 0$  and  $\Delta_{max} \leq \Delta^*$  which means that  $R$ 's reservation price will be sufficiently low for  $D$  to be willing to make an offer even in the absence of a signal. For  $R$ , sending a signal of reassurance  $s_{sr} < 0$  is irrational in this situation because it would only decrease his reservation price and with it, the size of  $D$ 's offer. However, by issuing a security-related tying-hands signal of coercion  $s_{sc} > 0$ ,  $R$  can raise his reservation price (from  $r_R = p + \Delta - c_R$  if  $s_s = 0$  to  $r_R = p + \Delta - c_R + s_{sc}$ ) in an effort to elicit a more generous offer from  $D$ . For  $D$  to be willing to make an offer it has to be the case that her expected utility of doing so equals or exceeds her expected utility of taking preventive action. This puts a limit on how much  $D$  allows herself to be coerced by  $R$ . Namely, for  $D$  to make an offer it has to be the case that  $R$ 's signal of coercion  $s_{sc} \leq -I + c_R + c_D + p$ . Since  $R$  wants to obtain the most generous offer possible, but also wants to avoid provoking  $D$  into taking preventive action, he will limit his signal of coercion to  $s_{sc}^* = -I + c_R + c_D + p$  in equilibrium. In response to such a signal,  $D$  offers  $x_{sc}^* = I - c_R + s_{sc}^*$  which leaves  $D$  just enough utility for her to weakly prefer making an offer to taking preventive action. It also be noted that  $x_{sc}^*$  is sufficiently large to accommodate all non-revisionists, regardless of their true gain in relative capabilities.

Whether  $R$  will coerce  $D$  to a degree where  $D$  is just barely willing to make an offer depends on  $R$ 's opportunity costs for issuing a signal of coercion. If  $R$ 's opportunity

cost factor  $\gamma_s$  exceeds the critical threshold  $\gamma_s^*$ ,  $R$  receives a higher net benefit if he voluntarily restricts his security-related tying-signal of coercion to  $s_{sc}^{**}=1/2\gamma_s$ .  $D$ 's optimal response to  $R$ 's decision to coerce only with  $s_{sc}^{**}$  is to reduce her offer to  $x_{sc}^{**}=I-c_R+s_{sc}^{**}$ , which  $R$  is certain to accept.

The opportunity cost threshold notwithstanding, it should be pointed out that the degree to which  $R$  can coerce  $D$  also depends on  $R$ 's ex ante capabilities  $p$  as  $s_{sc}^*=I+c_R+c_D+p$  is increasing in  $p$ . The intuition behind this result is that non-revisionists that start out with low ex ante capabilities may experience larger power shifts than non-revisionists that have high ex ante capabilities. Because of this,  $D$  will be more nervous when she is facing rising states low high ex ante capabilities, which reduces her willingness to tolerate coercion. If  $R$ 's ex ante capabilities are so low ( $p=p^*=I-c_R-c_D$ ) that he might experience a gain in relative capabilities that equals the critical power shift threshold ( $\Delta_{max}=\Delta^*$ ),  $D$  is worried enough where even the smallest signal of coercion would suffice for  $D$  to take preventive action. Because non-revisionists do not want to provoke  $D$  into taking preventive action,  $R$  will not coerce  $D$  at all, i.e.,  $R$  will issue  $s_{sc}^*=0$  in equilibrium. This can also be seen formally: if  $p=p^*=I-c_R-c_D$ , then  $s_{sc}^*=-I+c_R+c_D+p=0$ . With this special case in mind, consider the following equilibrium statement.

**SRTH-Model Equilibrium Ia, Ib: SRTH-Coercion and Accommodation:** Non-revisionists ( $p \geq p^*$ ) send security-related tying-hands signals of coercion  $s_{sc}^*$  and  $s_{sc}^{**}$ . Non-revisionists send  $s_{sc}^*=-I+c_R+c_D+p$  if  $\gamma_s \leq \gamma_s^*=1/2+2c_R+2c_D+2p$  and  $s_{sc}^{**}=1/2\gamma_s$  if  $\gamma_s \geq \gamma_s^*$ . On the equilibrium path,  $D$  relies on her prior beliefs over  $\Delta$  with  $\Delta_f=0$  and  $\Delta_{max}=I-p \leq \Delta^*$  and offers  $x_{sc}^*=I-c_R+s_{sc}^*$  in response to  $s_{sc}^*$  and  $x_{sc}^{**}=I-c_R+s_{sc}^{**}$  in response to  $s_{sc}^{**}$ .  $R$  accepts  $x_{sc}^*$  and  $x_{sc}^{**}$ , respectively. Off the equilibrium path,  $D$  also believes that  $\Delta_f=0$  and  $\Delta_{max}=I-p \leq \Delta^*$  and offers  $x=I-c_R+s_s$  if  $s_{sc} \leq -I+c_R+c_D+p$  and launches a preventive strike if  $s_{sc} > -I+c_R+c_D+p$ .

Next, let us examine the strategic dynamics if  $D$  believes that  $R$  is a potential revisionist because  $R$ 's low ex ante capabilities ( $p < p^*$ ) allow for the possibility that  $R$  experiences a gain in relative capabilities that exceeds the critical power-shift threshold ( $\Delta_{max} > \Delta^*$ ). Due to  $R$ 's potentially significant gain in relative capabilities,  $D$  will take preventive action if  $R$  remains passive and refrains from sending a security-related tying-hands signal ( $s_s = 0$ ). Coercion is out the question for  $R$ , because if  $R$  further increases his reservation price by sending  $s_s > 0$ , he will not only suffer a preventive strike but also pay opportunity costs for having attempted coercion.

However,  $R$  can try to persuade  $D$  to refrain from taking preventive action by issuing a security-related tying-hands signal of reassurance  $s_s < 0$ . For  $D$  to be willing to make an offer if  $R$  is a potential revisionist, her expected utility of making such an offer has to at least equal her expected utility of taking preventive action. Comparing  $D$ 's respective payoffs shows that  $D$  makes an offer if  $R$ 's signal of reassurance is sufficiently strong, i.e., if  $s_{sr} \leq s_{sr}^* = c_R + 2c_R c_D + c_D - (-1-p)^2 / 2(1-p)$ . Since  $R$  wants to obtain the most generous offer that  $D$  is willing to make and simultaneously minimize his opportunity costs,  $R$  will not reassure  $D$  more than necessary. Hence,  $R$ 's signal of reassurance will never exceed  $s_{sr}^*$ . In response to  $s_{sr}^*$ ,  $D$  offers  $x_{sr}^* = p + c_D - s_{sr}^*$  in equilibrium.

What is striking about  $D$ 's offer  $x_{sr}^*$  is that it is a risk-return offer which includes a positive probability of being rejected by  $R$ . Recall that in the previous analysis,  $D$ 's optimal offers were always certain to be accepted by  $R$ . The reason why  $D$  makes a risk-return offer in the present analysis lies in the nature of security-related tying-hand signals of reassurance. Recall that such signals do not only decrease  $R$ 's reservation price for accepting an offer (as is the case with audience cost-based signal), but that they also

increase  $D$ 's expected utility for fighting after a power shift. Hence, if  $R$  sends a security-related tying-hands signal reassurance,  $D$  is less averse to fighting after a power shift than if  $R$  sends an audience cost-based signal of reassurance. Because of this,  $D$ 's optimal tradeoff between (i) making a generous offer that likely to be accepted, but leaves less of the disputed good to  $D$  and (ii) making a stingy offer which leaves more of the good to  $D$ , but is less likely to be accepted by  $R$ , moves in favor of making a stingy offer. Notably, even if  $R$  sent a stronger signal of reassurance than  $s_{sr}^*$ ,  $D$  would still prefer to fight  $R$  with some probability instead of making offer that  $R$  is certain to accept. This dynamic is reflected in the fact  $D$ 's optimal offer  $x_{sr}^* = p + c_D - s_{sr}^*$  decreases as  $s_{sr}^*$  becomes more reassuring.

Whether  $R$  accepts  $D$ 's offer  $s_{sr}^*$  depends on  $R$ 's gain in relative capabilities  $\Delta$ . If  $R$  sends the reassuring signal  $s_{sr}^*$ , his reservation price for accepting  $D$ 's offer is  $r_R = p + \Delta - c_R - s_{sr}^*$ . Comparing  $R$ 's reservation price  $r_R$  with  $D$ 's equilibrium offer  $x^* = p + c_D - s_{sr}^*$  shows that  $R$  accepts if  $\Delta \leq c_R + c_D$  and rejects if  $\Delta > c_R + c_D$ . Note that this  $\Delta$ -cut point is identical with the power-shift threshold we derived previously and that separates de facto non-revisionists from de facto revisionists. Hence, de facto non-revisionists ( $\Delta \leq \Delta^*$ ) will accept  $D$ 's optimal offer, while de facto revisionists ( $\Delta > \Delta^*$ ) will reject it.

Finally, for  $R$  to issue a signal of reassurance  $s_{sr}^*$  in equilibrium,  $R$ 's opportunity costs for sending such a signal has to be sufficiently low. Before we lay out this constraint in more detail further below, consider the following equilibrium statement.

**SRTH-Model Equilibrium IIa: SRTH-Reassurance and Risky Offer:** Potential revisionists ( $p < p^*$ ) send a security-related tying-hands signal of reassurance  $s_{sr}^* = c_R + 2c_{RC_D} + c_D - (-1-p)^2 / 2(1-p)$  if  $\gamma_s \leq \gamma_s^{**} = (2(c_R^2 + c_D^2 + 2c_R(1+c_D-p) - 2c_D(-1+p) - (-1+p)^2 - (1+p)) / ((c_R^2 + 2c_{RC_D} + c_D^2 - (-1+p)^2)^2)$  and  $p \geq p^{**} = 1/3(2-c_D - \sqrt{1+3c_R^2+2c_D+6c_{RC_D}+4c_D^2})$ . On

the equilibrium path,  $D$  relies on her prior beliefs over  $\Delta$  with  $\Delta_I=0$  and  $\Delta_{max}=1-p>\Delta^*$  and offers  $x_{sr}^*=p+c_D-s_{sr}^*$  in response to  $s_{sr}^*$ . De facto non-revisionists ( $\Delta\leq\Delta^*$ ) accept  $x_{sr}^*$ , while de facto revisionists ( $\Delta>\Delta^*$ ) reject  $x_{sr}^*$ . Off the equilibrium path,  $D$  also believes that  $\Delta_I=0$  and  $\Delta_{max}=1-p>\Delta^*$  and offers  $x=p+c_D-s_s$  if  $s_s\leq c_R+2c_Rc_D+c_D-(-1-p)^2/2(1-p)$  and launches a preventive strike if  $s_s>c_R+2c_Rc_D+c_D-(-1-p)^2/2(1-p)$ .

A few comments on  $D$ 's off-equilibrium beliefs and behavior may help elucidate the logic of the reassuring equilibrium further. If  $R$  engaged in overreassurance,  $D$  is assumed to rely on her prior beliefs and reduce her offer as  $R$ 's reservation price would decrease. Neither  $R$ -type has an incentive to deviate to overreassurance, because de facto non-revisionists would obtain a smaller offer and de facto revisionists would obtain a smaller payoff for revising the status quo. Moreover, if  $R$  deviated to underreassurance,  $D$ 's best response would be to take preventive action, which all  $R$ -types want to avoid given the parameter values above.

There is a second, closely related equilibrium of reassurance, which arises largely due to technical reasons. Since  $R$  and  $D$  are in a conflict over a prize which is in possession of  $D$  at the beginning of the game, it seems unreasonable to allow  $D$  make any negative offers, i.e.,  $x<0$ . The smallest offer that  $D$  should be able to make is to offer nothing, i.e.,  $x=0$ . However, in the equilibrium statement above,  $D$ 's optimal offer  $x_{sr}^*$  becomes negative if  $R$ 's ex ante capabilities fall below the critical threshold  $p^{**}$  (see the *Proofs* in the *Appendix* for details). Interestingly, however, even if we prohibit  $D$  from making a negative offer, reassurance is still possible if  $R$ 's ex ante capabilities  $p<p^{**}$ . If we constrain  $D$ 's offer to be  $x\geq 0$ ,  $R$  has to reassure  $D$  with  $s_{sr}^{**}$  in order to avert prevention if  $p<p^{**}$ . In response to  $s_{sr}^{**}$ ,  $D$  makes a risk-return offer  $x_{sr}^{**}=0$ .  $R$ 's willingness to accept  $x_{sr}^{**}$  again depends on  $R$ 's true gain in relative capabilities  $\Delta$ . Comparing  $R$ 's utilities for accepting and rejecting  $x_{sr}^{**}$  shows that  $R$  will accept  $x_{sr}^{**}$  if

and only if  $\Delta \leq \Delta^{**}$ , which is slightly off from the  $\Delta^*$ -threshold that separates non-revisionists from de facto revisionists. Furthermore, for  $R$  to be willing to issue  $s_{sr}^{**}$ , his opportunity cost factor must not exceed the critical threshold  $\gamma_s^{***}$ . Importantly, while the two reassuring *SRTH-Model Equilibria IIa* and *IIb* differ in the specific size of the parameter values, the location of the critical cut points and the equilibrium values of the choice variables  $x$  and  $s_{sr}$ , the substantive dynamics are virtually identical.

**SRTH-Model Equilibrium IIb: Reassurance and Risky Offer:** Potential revisionists ( $p < p^*$ ) pool on a security-related tying-hands signal of reassurance  $s_{sr}^{**} = 1 + c_D - \sqrt{(c_R^2 + 2c_D + 2c_R c_D + c_D^2 + 2p - 2c_D p - 2p^2)}$  if  $\gamma_s \leq \gamma_s^{***}$  and  $p < p^{**}$ . On the equilibrium path,  $D$  relies on her prior beliefs over  $\Delta$  with  $\Delta_I = 0$  and  $\Delta_{max} = 1 - p > \Delta^*$  and offers  $x_{sr}^{**} = 0$  in response to  $s_{sr}^{**}$ . Non-revisionist types ( $\Delta \leq \Delta^{**}$ ) accept  $x_{sr}^{**}$ , while revisionist types ( $\Delta > \Delta^{**}$ ) reject  $x_{sr}^{**}$ . Off the equilibrium path,  $D$  also believes that  $\Delta_I = 0$  and  $\Delta_{max} = 1 - p > \Delta^*$  offers  $x = 0$  if  $s_{sr} \leq 1 + c_D - \sqrt{(c_R^2 + 2c_D + 2c_R c_D + c_D^2 + 2p - 2c_D p - 2p^2)}$  and launches a preventive strike if  $s_{sr} > 1 + c_D - \sqrt{(c_R^2 + 2c_D + 2c_R c_D + c_D^2 + 2p - 2c_D p - 2p^2)}$ .

Finally, let us turn to the role of  $R$ 's opportunity cost factor  $\gamma_s$  for  $R$ 's decision whether to reassure or not.  $R$ 's decision-making calculus is largely based on the question of whether the benefit of averting preventive action justifies paying opportunity costs  $\gamma(s_s)^2$  for reassuring  $D$ . If  $R$ 's opportunity cost factor  $\gamma_s$  exceeds the cut point  $\gamma_s^{**}$  or  $\gamma_s^{***}$ ,  $R$  is better off if he refrains from reassuring  $D$  ( $s_s = 0$ ), even though this will induce  $D$  to take preventive action. Note that  $R$ 's motivation to refrain from reassuring  $D$  depends on his type: de facto non-revisionists will refrain from reassuring  $D$  because they find  $R$ 's offer too small compared to the effort it takes to elicit an offer. De facto revisionists, on the other hand, consider their gain from revising the status after a power as insufficient for them to be willing to incur the costs of reassurance.

There is an additional dynamic of the reassuring equilibria which is not explicitly laid out in the equilibrium statements above, but which is worth highlighting. For a certain range of  $p$ -values,  $R$ 's decision to refrain from issuing a signal of reassurance is not due to  $R$ 's opportunity costs but due to the stinginess of the  $D$ 's offer. More formally, the opportunity cost constraint  $\gamma_s^{**}$  in the *SRTH Equilibrium IIa* can only bind if  $p \geq p^{***} = 1 - c_R - c_D - \sqrt{2} \sqrt{c_R + c_D}$ . If  $p < p^{***}$ , the critical opportunity cost threshold  $\gamma_s^{**}$  becomes smaller than zero, which means that  $R$ 's opportunity cost factor (which is constrained to be equal or greater than zero) will necessarily exceed the critical threshold. As a result, even if  $R$  incurs no opportunity for issuing a signal of reassurance at all, he will refrain from sending such a signal, because he would have to lower his reservation price to such a large degree that he will obtain a larger payoff for enduring a preventive strike in silence. Analogously, the  $\gamma_s^{***}$ -cut point in *SRTH Equilibrium IIIb* can only bind if  $p \leq p^{****} = c_R$ , because otherwise  $\gamma_s^{***}$  becomes negative and violates the assumption that  $0 \leq \gamma_s \leq 1$ . Hence, if  $p > p^{****}$ ,  $R$  will refrain from the sending a signal of reassurance even if he incurs no opportunity costs at all. The substantive implication of this dynamic is that under some circumstances,  $R$  will endure a preventive strike not because his opportunity costs are too high but because  $R$  would have to set his post-power shift reservation price below his ex ante reservation price in order to obtain an offer from  $D$ .

In sum, if  $R$ 's ex ante relative capabilities  $p$  are sufficiently low and/or his opportunity cost factor  $\gamma_s$  is sufficiently high, he will refrain from issuing a signal of reassurance and endure a preventive strike in equilibrium. Consider the equilibrium statement below:

**SRTH-Model Equilibrium IV: SRTH-Silence and Prevention:** Potential revisionists ( $p < p^*$ ) refrain from sending a security-related tying-hands signal, i.e.,  $s_s^* = 0$  if  $p \geq p^{**}$  and  $\gamma_s > \gamma_s^{**}$  or if  $p < p^{**}$  and  $\gamma_s > \gamma_s^{***}$ . On the equilibrium path,  $D$  relies on her prior beliefs over  $\Delta$  with  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p > \Delta^*$  and launches a preventive strike in response to  $s_s^*$ . Off the equilibrium path,  $D$  believes that  $\Delta_l \geq s_{sr} + \gamma_s(s_{sr}^2)$  and  $\Delta_{max} = 1 - p > \Delta^*$  if  $s_s < 0$  and that  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p > \Delta^*$  if  $s_s \geq 0$  and launches a preventive strike.

Let us take a closer look at the logic of this “silent” equilibrium and the off-equilibrium beliefs that support it. Recall that in the reassuring *SRTH-equilibrium IIa* potential revisionists pool on the reassuring signal  $s_{sr}^*$  which is just strong enough for  $D$  to weakly prefer making her optimal offer  $x^*$  to launching a preventive strike.<sup>12</sup> As  $R$ 's opportunity cost factor  $\gamma_s$  starts to cross the critical threshold  $\gamma_s^{**}$ ,  $R$ -types with small gains in power will refrain from pooling on  $s_{sr}^*$  because obtaining  $x^*$  does not justify the effort of sending  $s_{sr}^*$ . Since  $R$ 's opportunity costs are readily observable,  $D$  will immediately infer that she must be facing  $R$ -types with relatively large gains in power (i.e.,  $\Delta_l > 0$ ) if she observes  $s_{sr}^*$  in situations where  $\gamma_s > \gamma_s^{**}$ . However,  $D$ 's willingness to offer  $x^*$  in response to  $s_{sr}^*$  is predicated on the belief that  $\Delta_l = 0$ . Hence, if  $\gamma_s > \gamma_s^{**}$  and  $s_s = s_{sr}^*$  (or if  $\gamma_s > \gamma_s^{***}$  and  $s_s = s_{sr}^{**}$ ),  $D$  will not make an offer but launch a preventive strike.

Since sending  $s_{sr}^*$  does not suffice to reassure  $D$  if  $\gamma_s > \gamma_s^{**}$ , the question arises whether potential revisionists or a subset of them can successfully reassure  $D$  by sending some reassuring signal other than  $s_{sr}^*$ . First, let us entertain the possibility that potential revisionists try to pool on the more reassuring signal  $s_{sr}^* < s_s^*$ .  $R$ 's pooling behavior would induce  $D$  to rely on her prior beliefs over  $\Delta$  with  $\Delta_l = 0$  and  $\Delta_{max} > \Delta^*$  when formulating her

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<sup>12</sup> For the sake of simplicity, the discussion focuses on a situation where  $\gamma_s > \gamma_s^{**}$ . The same dynamics hold if  $\gamma_s > \gamma_s^{***}$ .



optimal offer. Calculating  $D$ 's optimal response to  $s_{sr}^{\bullet}$  shows that  $D$  would offer  $x_{sr}^{\bullet} = p + c_D - s_s^{\bullet}$ . Importantly, since  $s_{sr}^{\bullet}$  is more reassuring than  $s_{sr}^*$  (and hence smaller),  $D$ 's offer  $x_{sr}^{\bullet}$  is less generous than  $x_{sr}^*$ . This, in turn, means that potential revisionists that expect only small increases in relative capabilities will not pool on  $s_{sr}^{\bullet}$ , because sending  $s_{sr}^{\bullet}$  is not only more expensive than sending  $s_{sr}^*$  in opportunity costs, but also yields a lower offer. This result can be generalized: if high opportunity costs make a pooling equilibrium in which potential revisionists send the reassuring signals  $s_{sr}^*$  or  $s_{sr}^{**}$  infeasible, then no equilibria in which  $R$ -types pool on reassurance will be possible at all.

Second, suppose that potential revisionists tried to play separating strategies in equilibrium. For reassurance to occur in a separating equilibrium,  $R$ 's signaling behavior must vary across types and  $D$ 's best responses must sustain  $R$ 's incentives to separate. Specifically,  $D$ 's strategy profile must not give  $R$ -types with small gains in power the opportunity to cash in on a large offer nor allow  $R$ -types with large gains in power to avoid a preventive strike on the cheap.

These considerations suggest that  $D$  can only elicit and sustain a separating signaling behavior if she offers  $x_{sr}^{\bullet}$  in response to a relatively strong signal of reassurance  $s_{sr}^{\bullet}$  and launches a preventive strike otherwise. Importantly, in order to sustain  $R$ 's separating behavior,  $D$  has to constrain the size of offer  $x_{sr}^{\bullet}$  in response to  $s_{sr}^{\bullet}$  so that some  $R$ -types will want to refrain from sending a signal of reassurance.  $D$  can induce  $R$ -types with relatively small gains in power to refrain from sending  $s_{sr}^{\bullet}$  by constraining her offer to  $x_{sr}^{\bullet} < p - c_R + \gamma_s (s_{sr}^{\bullet})^2$ , because these types will find enduring a preventive strike in silence more profitable than obtaining a small offer in return for a large signal. While offering

$x_{sr}^*$  deters  $R$ -types with small gains in power from sending  $s_{sr}^*$ , it does not deter  $R$ -types with large gains in power because they would reject  $x_{sr}^*$  and revise the status quo.

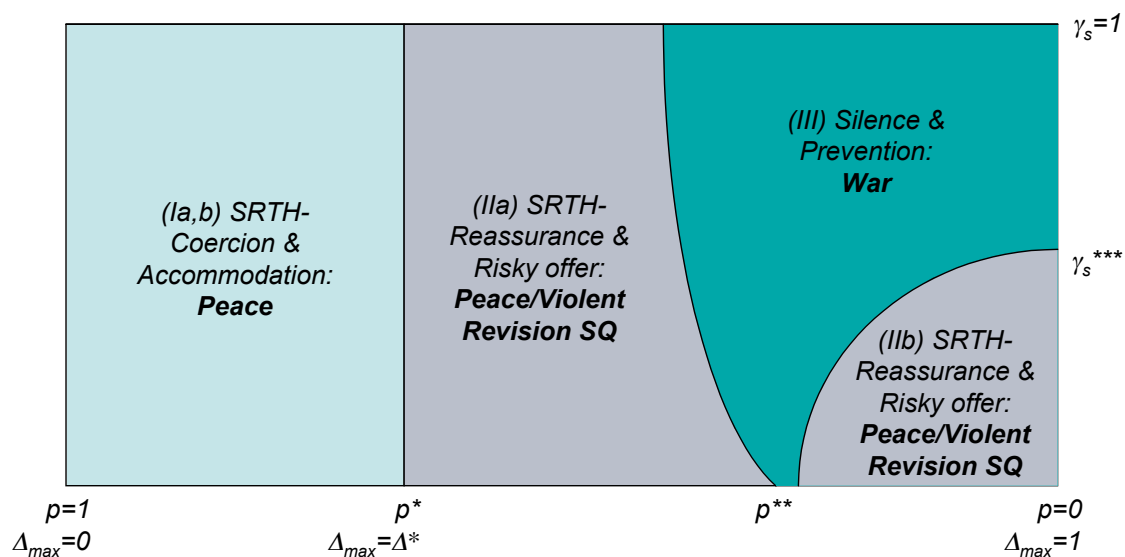
This leads to the critical problem with this separating equilibrium:  $D$  will only allow  $R$  to reject  $x_{sr}^*$  if  $s_{sr}^*$  is sufficiently strong so that it effectively nullifies  $R$ 's gain in power. However, this can never be the case. Since sending  $s_{sr}^*$  consumes opportunity costs for  $R$ ,  $s_{sr}^*$  will have to remain slightly below  $R$ 's true gain in relative capabilities for  $R$  to be willing to send  $s_{sr}^*$  rather than simply enduring a preventive strike. Since  $s_{sr}^*$  will always be limited in this fashion,  $R$  can never induce  $D$  to make an offer in response in response to  $s_{sr}^*$ . Because of this, a separating equilibrium is infeasible.

In sum, if  $R$ 's opportunity cost factor  $\gamma_s$  exceeds the critical thresholds  $\gamma_s^{**}$  or  $\gamma_s^{***}$ , but  $R$  decides to send a SRTH-signal of reassurance nevertheless,  $D$  will correctly infer that  $R$  will want to revise the status quo after the power shift has materialized, which induces  $D$  to launch a preventive strike. This is why no reassuring equilibria besides the *SRTH-Equilibria IIIa* and *IIIb* exist.

A graphical illustration of the SRTH-model's equilibrium space with  $c_R=0.1$  and  $c_D=0.2$  is shown in *Figure 11* below. The left hand side of the graph shows rising states that do not have fear a preventive strike because their high ex ante capabilities rule out large shifts in relative capabilities vis-à-vis declining states. In equilibrium, these rising states will use SRTH-signals to coerce their declining opponents into making a better offer. Rising states whose ex ante capabilities fall below the critical ex ante capabilities threshold  $p^*$  cannot afford to coerce  $D$  and need to reassure  $D$  if they want to obtain an offer. For  $R$  to reassure  $D$  in equilibrium,  $R$ 's opportunity costs have to be sufficiently low, otherwise  $R$  will refrain from sending a signal of reassurance and endure a

preventive strike. Note that with the parameter values of  $c_R=0.1$  and  $c_D=0.2$ , there are some values for  $p$  where no reassurance is feasible regardless of  $R$ 's opportunity costs. Also, comparing the equilibrium spaces of the AC signaling game (*Figure 9*) and the SRTH signaling game shows that the size of the preventive war equilibrium is larger in the latter. Furthermore, because the reassuring equilibria involve a positive probability of leading to a violent revision of the status quo, situations in which rising states only have security-related tying-hands signals at their disposal are less likely to be resolved peacefully than situations in which rising states can issue credible audience cost-based signals.

**Figure 11: SRTH-model equilibrium space with  $c_R=0.1$  and  $c_D=0.2$**



### 4.6.3 Discussion

The most important substantive result of the preceding analysis is that rising states can and often will voluntarily limit their gain in relative military capabilities to avert preventive action. In that respect, the analysis of the security-related tying-hands signaling game strongly supports Fearon's (1997b) conjecture that a "rising state can actually have an incentive to transfer away or otherwise limit the sources of its new strength, since by doing so it may avoid being attacked" (406-407).

It is worth pointing out that a rising state's incentive to reassure a declining state is not built into a rising state's utility function but arises endogenously whenever a declining state seriously contemplates taking preventive action. In the analysis above, a declining state's willingness to take preventive action is a function of the severity of an impending power shift. All else equal, ex ante weak states may experience a larger gain in relative capabilities than rising states that are already relatively powerful to begin with, which means that declining states have stronger incentives to take preventive action against the former than the latter. This further implies that relatively weak states should feel more compelled to send signals of reassurance than relatively strong states. In *Figure 11* this dynamic is reflected in that a rising state will only resort to reassurance if his ex ante capabilities are below the critical ex ante capabilities cut point  $p^*$  and will attempt coercion if his ex ante capabilities exceed this cut point.

Furthermore, the analysis suggests that rising states will only refrain from resorting to reassurance if they face high opportunity costs for taking such an action, for instance due when there is strong domestic opposition or a third party that might exploit a

rising state's resulting weakness (see *Figure 11*). However, these opportunity costs must be so high that one is tempted to conclude that, empirically speaking, situations in which rising states actually forgo the opportunity to avert prevention by reassurance should be rare. This characterization of how rising states will respond to declining states' explicit or tacit threats to take preventive action is in stark contrast with the orthodox wisdom of the conflict literature which draws a direct and uninterrupted causal link between large power shifts and preventive war (see chapter 2 and 3).

Although the formal analysis suggests that security-related tying-hands signaling is a powerful tool for averting preventive action, it is no panacea for tensions that arise out of power shifts. There are two reasons for this. First, the formal analysis suggests that security-related tying-hands signals of reassurance reduce the probability of preventive action by reducing a rising state's commitment problem, but leave a declining state's uncertainty over a rising state's true gain in relative capabilities unaffected. Recall that part of the tragedy of power shifts under conditions of uncertainty is that declining states end up taking preventive actions against rising states that *might* experience a significant gain in relative capabilities which includes rising states that *do not*, in fact, expect a significant gain in relative capabilities. Unfortunately, de facto non-revisionist states cannot distinguish themselves from revisionist states, because the latter have both the incentive and the means to pose as non-revisionists. Hence, even though security-related tying-hands signaling does reduce the probability of preventive action, it still allows for the possibility that a declining state wages a preventive war it would avoid under conditions of complete information. Note that the audience cost-based signaling game exhibits the same dynamic.

The second drawback of security-related tying-hands signals of reassurance is that they do not rule out the possibility that a change in relative capabilities will result in war after a power shift. Note that this result contrasts with the theoretical findings on the effects of audience cost-based signals of reassurance, where a rising state never tries to revise the status quo once it has decided to reassure a declining state. Security-related tying-hands signals of reassurance allow for the eruption of a violent conflict because a declining state's best response to such a signal is to make a risk-return offer which carries a non-zero probability of being rejected by a rising state. The reason for this is that security-related tying-hands signals increase a declining state's utility for fighting and with it, her willingness to accept a risk of war after a power shift has materialized. Hence, one could argue that sometimes security-related tying-hands signaling merely delay the timing of violent conflict from before to after a power shift has materialized. At the same time, it is easy to exaggerate the different implications of the audience cost-based signals versus security-related tying-hands signals, because the specific results regarding probability of a violent conflict after a power shift may not persist if a more elaborate protocol for the post-power shift bargaining process is being used.<sup>13</sup>

The formal analysis also suggests that security-related tying-hands signals do not only allow rising states to avert preventive action, but to extract more generous offers from declining states. Importantly, for coercion to constitute a feasible strategy for a rising state, a declining state has to be sufficiently confident that a rising state's gain in relative capabilities will be limited, which is generally the case if the rising state is

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<sup>13</sup> For instance, in his formal analysis of shifting power and asymmetric information, Powell (1999) notes that even though "the declining state is uncertain of the rising state's willingness to use force, it takes several periods for the risk-return trade-off to develop" (134). Similarly, it is conceivable that a declining state makes a risk-return offer in response to an audience cost-based signal of reassurance if we allow for a multiperiod bargaining process after a power shift.

already relatively powerful before a power shift occurs (i.e.,  $p \geq p^*$ ; see also *Figure 11*). The degree to which a rising state can use security-related tying-hands signals to coerce a declining state to cede greater shares of the disputed good also depends on a rising state's ex ante capabilities: the smaller a rising state's ex ante capabilities, the higher the possible change in relative capabilities and the less tolerant a declining state towards coercive behavior by a rising opponent will be. Also, if a rising state faces high opportunity costs for coercion, for instance due to domestic or international opposition to such behavior, a rising state may further limit the degree to which it tries to coerce a rising state to make a more generous offer.

Taking a step back, the previous analyses suggest that rising states have at least two behavioral options at their disposal to avert preventive action by declining states: they can make political promises not to exploit a potential power shift or, as shown immediately above, they can reduce or limit the power shift itself by issuing a security-related tying-hands signal of reassurance. Both types of signals adhere to a similar logic in that they effectively reduce a rising state's commitment problem, which in turn increases a declining state's willingness to renegotiate the status quo instead of taking preventive action.

Assuming that rising states will have at least one of these signals at their disposal, the orthodox wisdom's pessimistic view regarding the causal link between power shifts and (violent) preventive action seems unwarranted: in most cases, a rising state's fear of being subjected to preventive action should suffice to motivate him to reassure a declining state that he will not face or exploit a commitment problem that warrants preventive action. It should be noted that a rising state's decision to reassure a declining

state has Pareto-improving properties because it increases both a declining and a rising state's payoff compared to a situation in which a declining state takes preventive action against a rising state.

The next chapter takes the preceding theoretical analysis one step further. So far, each type of signal has been examined in isolation, i.e., it has been assumed that a rising state has only one type of signal at his disposal. However, in most empirical situations rising states may choose how they want to reassure or coerce a declining state. In order to model these situations, the formal analysis in chapter 5 allows rising states to choose among audience cost-based signals and security-related tying-hands signals. Since sunk-cost signals turned out to be entirely ineffective in the context of power shifts, they will be omitted from the analysis. By integrating audience cost-based and security-related tying-hands signaling games into model, it is possible to examine not only when, but also how rising states will reassure and coerce. Furthermore, the unified model laid out in chapter 5 allows us to directly compare the efficacy of different types of signals.



## **5 Formal Analysis II: A Unified Model of Reassurance, Coercion and Power Shifts**

### **5.1 Overview**

The key theoretical finding from the previous formal analyses is that rising states can and often will avert preventive action by their opponents by issuing signals of reassurance. This finding is significant because it contradicts the extant literature on preventive wars which presumes that rising states will remain passive when confronted with the prospect of being subjected to a preventive strike or war (see chapter 3). While the extant literature claims that preventive wars are likely to happen whenever a declining state expects a large power shift and deems preventive action cheap and likely to be successful, the formal analyses in this dissertation suggest that these conditions have a self-stabilizing property because induce they rising states to reassure declining states.

The previous chapter has examined the impact of three types of signals of reassurance that declining states may want to send: sunk-cost signals, audience cost-based signals and security-related tying-hands signals. While sunk cost-signals have turned out to be entirely ineffective for averting preventive strikes, the formal analyses have shown that audience cost-based signals and security-related tying-hands signals are formidable tools for declining states to persuade their opponents to refrain from prevention.

This chapter extends the previous analyses by allowing rising states to decide how they want to reassure or coerce declining states. This extension is based on the empirical conjecture that states will typically be able choose from a portfolio of responses when

suspected of experiencing a power shifts in the future. For example, rising states that feel that they can demand a better offer from a declining state can decide whether they want to increase their bargaining leverage by making political commitments to obtain a minimum share of a dispute good or by mobilizing their military forces. Similarly, states that feel compelled to reassure their opponents that they will not exploit a power shift have to decide whether they want to issue a political promise to honor the status quo or whether they ought to reduce or limit their military assets in order to communicate benign intentions.

Hence, this chapter examines the dynamics of a unified model in which a rising state can decide whether it wants to issue an audience cost-based signal, a security-related tying-hands signal or no signal. Sunk-cost signals are omitted from this unified model because they have turned out to be entirely ineffective in the previous analyses.<sup>1</sup> The unified model is geared towards answering several questions. First, how does a rising state's decision-making calculus change if he has both audience cost-based signals and security-related tying-hands signals at his disposal? Are both types of signals strategically equivalent or do rising states have reasons to prefer sending one type of signal to the other? Moreover, how does a declining state respond to a rising state's signaling behavior if she knows that a rising state could have sent an alternative signal? Does a rising state's signaling behavior have any informational properties that perhaps allow de facto non-revisionists to differentiate themselves from revisionists?

The analysis of the unified model of coercion and reassurance yields the following key propositions: first, and in line with the previous analysis, declining states

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<sup>1</sup> When included in the unified model, sunk cost signals again prove to be entirely ineffective and will never be used in equilibrium by a rising state. Proofs are available from the author upon request.

will generally send signals of coercion when they are relatively powerful *ex ante* and will send signals of reassurance when they are relatively weak before a power shift. Second, declining states will opt for those signals that are associated with the lowest opportunity costs. At the same time, rising states tend to have a preference for issuing audience cost-based signals when trying to reassure a declining state for wide range of parameter values. Third, the unified model generates only generate pooling equilibria, which means that rising states will not be able to reveal their true gain in relative capabilities to a rising state even if they have multiple signals at their disposal. Hence, our earlier result that reassurance addresses commitment problems, but leaves informational problems unaffected persists.

The following chapter is structured as follows. Section 5.2.1 contains the setup of the formal model, section 5.2.2 the equilibrium analysis and section 5.2.3 the discussion. The discussion section also contains the key empirical implications of the theoretical analysis of chapter 4 and this chapter in the form of hypotheses.

## 5.2 The Unified Model

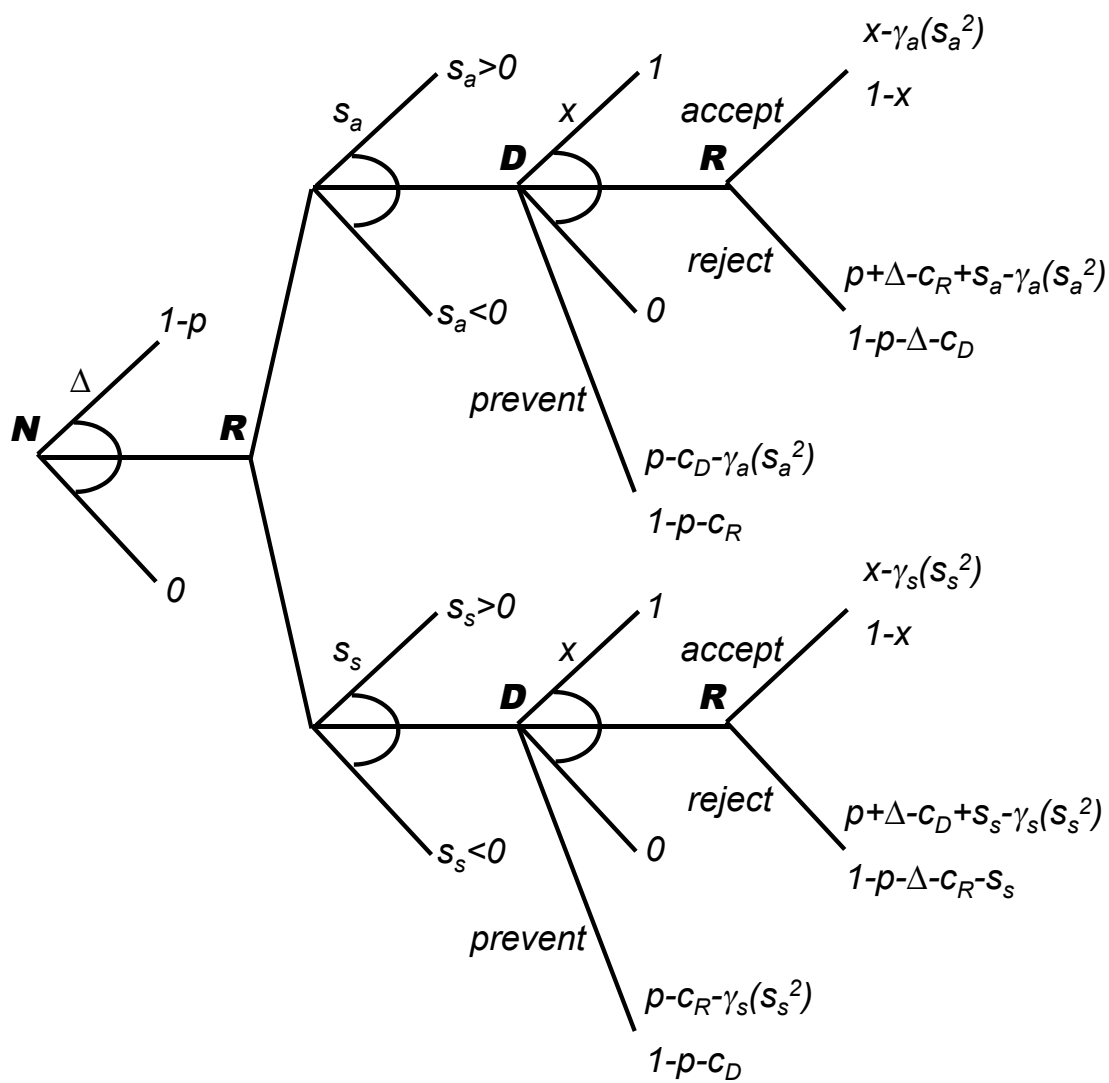
### 5.2.1 Setup

As shown in *Figure 12*, the unified game of coercion and reassurance integrates the audience cost-based and security-related tying-hands signaling games in the form of sub-games. The game begins with a random draw by Nature over the size of the power shift  $\Delta$  from the uniform distribution  $\theta^\Delta \sim [0, \Delta_{max}]$ . As before, the size of  $\Delta$  is revealed to  $R$ , but not to  $D$ . After learning the size of the power shift,  $R$  can decide whether he wants to send

an audience cost-based signal, a security-related tying-hands signal or no signal at all. Note that  $R$  can use any of these signals to coerce or to reassure. Also, it is assumed that  $R$  incurs sunk opportunity costs  $\gamma_a(s_a^2)$  for sending AC signals and opportunity costs  $\gamma_s(s_s^2)$  for sending SRTH signals.<sup>2</sup> After observing  $R$ 's signal,  $D$  decides whether she wants to make an offer  $x$  or launch a preventive strike. If  $D$  makes an offer,  $R$  decides whether to accept offer  $x$  or revise the status quo in a violent fashion.

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Figure 12: A unified model of coercion and reassurance



### 5.2.2 *Equilibria*

The individual analyses in the previous sections anticipate the dynamics of the unified model of coercion and reassurance to a large extent. In particular, the size of  $R$ 's ex ante capabilities again plays a critical role for his incentives to coerce and reassure. As before, rising states with relatively high ex ante capabilities will coerce declining states into making a better offer, while rising states with relatively low ex ante capabilities will often reassure a declining state in order to avert a preventive strike. Due to the crucial role of  $R$ 's ex ante capabilities  $p$ , the equilibrium space will be explored on the basis of this parameter.

Let us begin the analysis by assuming that  $R$  has relatively high ex ante capabilities ( $p \geq p^*$ ). Here,  $D$  knows that  $R$  must be a non-revisionist because  $R$ 's high ex ante capabilities make a significant shift in relative capabilities impossible (i.e.,  $\Delta_{max} \leq \Delta^*$ ). Because non-revisionists' maximum power shift is severely constrained, they do not have to fear a preventive strike and have no incentive to reassure  $R$ . However, non-revisionists may use AC or SRTH signals to increase their post-power shift reservation price in order to coerce  $D$  into making a better offer.

Whether a non-revisionist will send an AC or SRTH signal of coercion depends on the size of his respective opportunity cost factors  $\gamma_a$  and  $\gamma_s$ . Because  $R$  wants to maximize his payoff from obtaining an offer from  $D$ ,  $R$  will always choose the type of signal that is associated with the lower opportunity costs in equilibrium. Thus,  $R$  will send a coercive AC-signal if  $\gamma_a \leq \gamma_s$  and will send a coercive SRTH-signal if  $\gamma_a > \gamma_s$ .<sup>3</sup> The

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<sup>3</sup> Note that a third coercive equilibrium exists in which Player 2 is indifferent between sending  $s_{ac}$  and  $s_{sc}$ . However, since this equilibrium relies on the knife-edge condition that  $\gamma_s = \gamma_a$  and is of little substantive interest, it is absorbed in the Unified Model Equilibrium I which assumes that  $R$  will send  $s_{ac}^*$  or  $s_{ac}^{**}$  if  $\gamma_a \leq \gamma_s$  and  $s_{sc}^*$  or  $s_{sc}^{**}$  if  $\gamma_a > \gamma_s$ .

specific size of  $R$ 's coercive AC or SRTH signal depends on the size of the respective opportunity cost factor: if  $R$ 's opportunity costs are relatively low ( $\gamma_i \leq \gamma_i^*$ ), he will send the largest coercive signal that  $D$  will tolerate without launching a preventive strike, i.e.,  $s_{ac}^* = -I + c_R + c_D + p$  or  $s_{sc}^* = -I + c_R + c_D + p$ . Note that both  $s_{ac}^*$  and  $s_{sc}^*$  are increasing in  $R$ 's ex ante capabilities  $p$ . Ceteris paribus,  $R$ 's leeway for coercing  $D$  decreases as  $R$ 's ex ante capabilities shrink. If  $R$  is sufficiently weak ex ante ( $p = p^*$ ) for him to possibly experience a power shift that equals the critical power shift-threshold  $\Delta^*$ , both  $s_{ac}^*$  and  $s_{sc}^*$  equal zero because even the slightest degree of coercion would immediately provoke a preventive strike from  $D$ .

Furthermore, if  $R$ 's opportunity costs pass the critical thresholds  $\gamma_a^*$  or  $\gamma_s^*$ ,  $R$  will constrain the coerciveness of his actions to  $s_{ar}^{**} = 1/2\gamma_a$  and  $s_{sr}^{**} = 1/2\gamma_s$ , respectively. Thus, depending on the relative size of  $\gamma_a$  and  $\gamma_s$ ,  $R$  and  $D$  will settle one of two equilibria in which  $R$  coerces and  $D$  responds by making an accommodating offer.

The off-equilibrium beliefs that support the coercive equilibria are surprisingly straightforward. As was the case in the coercive equilibria identified in the previous chapter, it is assumed that  $D$  will rely on her prior beliefs over the size of the power shift if  $R$  deviates from the equilibrium path. Although one can specify and support the equilibria with more specific beliefs, these beliefs merely represent subsets of the assumption that  $D$  believes that  $\Delta_l = 0$  and  $\Delta_{max} = I - p \leq \Delta^*$  both on and off the equilibrium path. Furthermore, it is important to note that  $D$  cannot learn anything about  $R$ 's type on the basis of  $R$ 's signaling choice as  $R$ 's decision whether to coerce with an AC signal or an SRTH signal does not depend on his type.

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**Unified Model Equilibrium Ia: AC-Coercion and Accommodation:** Non-revisionists ( $p \geq p^*$ ) send an audience cost-based signal of reassurance  $s_{ac}^* = -I + c_R + c_D + p$  if  $\gamma_a \leq \gamma_s$  and  $\gamma_a \leq \gamma_a^* = I/2 + 2c_R + 2c_D + 2p$  and  $s_{ac}^{**} = I/2\gamma_a$  if  $\gamma_a \leq \gamma_s$  and  $\gamma_a > \gamma_a^*$ . On the equilibrium path,  $D$  relies on her prior beliefs over  $\Delta$  with  $\Delta_l = 0$  and  $\Delta_{max} = I - p \leq \Delta^*$  and offers  $x_{ac}^* = I - c_R + s_{ac}^*$  in response to  $s_{ac}^*$  and  $x_{ac}^{**} = I - c_R + s_{ac}^{**}$  in response to  $s_{ac}^{**}$ .  $R$  accepts  $x_{ac}^*$  and  $x_{ac}^{**}$ , respectively. Off the equilibrium path,  $D$  also believes that  $\Delta_l = 0$  and  $\Delta_{max} = I - p \leq \Delta^*$  and offers  $x = I - c_R + s_a$  if  $s_a \leq -I + c_R + c_D + p$ ,  $x = I - c_R + s_s$  if  $s_s \leq -I + c_R + c_D + p$  and launches a preventive strike if  $s_a > -I + c_R + c_D + p$  or  $s_s > -I + c_R + c_D + p$ .

**Unified Model Equilibrium Ib: SRTH-Coercion and Accommodation:** Non-revisionists ( $p \geq p^*$ ) send a security-related tying-hands signal of coercion  $s_{sc}^* = -I + c_R + c_D + p$  if  $\gamma_s < \gamma_a$  and  $\gamma_s \leq \gamma_s^* = I/2 + 2c_R + 2c_D + 2p$  and  $s_{sc}^{**} = I/2\gamma_s$  if  $\gamma_s < \gamma_a$  and  $\gamma_s > \gamma_s^*$ . On the equilibrium path,  $D$  relies on her prior beliefs over  $\Delta$  with  $\Delta_{max} = I - p > \Delta^*$  and offers  $x_{sc}^* = I - c_R + s_{sc}^*$  in response to  $s_{sc}^*$  and  $x_{sc}^{**} = I - c_R + s_{sc}^{**}$ .  $R$  accepts  $x_{sc}^*$  and  $x_{sc}^{**}$ , respectively. Off the equilibrium path,  $D$  also believes that  $\Delta_l = 0$  and  $\Delta_{max} = I - p \leq \Delta^*$  and offers  $x = I - c_R + s_s$  if  $s_s \leq -I + c_R + c_D + p$ ,  $x = I - c_R + s_a$  if  $s_a \leq -I + c_R + c_D + p$  and launches a preventive strike if  $s_s > -I + c_R + c_D + p$  or  $s_a > -I + c_R + c_D + p$ .

If  $R$  is a potential revisionist because his low ex ante capabilities ( $p < p^*$ ) allow for a significant power shift ( $\Delta > \Delta^*$ ), he will have to reassure  $D$  in order to obtain an offer because  $D$ 's fear of experiencing a violent revision of the status induces her to take preventive action against  $R$ . Before we turn to the somewhat cumbersome details of  $R$ 's decision-making calculus of whether and how to reassure  $D$  when he has both AC and SRTH-signals at his disposal, it is useful to recall two general dynamics from our previous analyses.

First, recall that AC and SRTH signals of reassurance elicit very different offers from  $D$ . In response to an AC signal of reassurance,  $D$  makes a generous offer that  $R$  is certain to accept (see section 4.5.2). By contrast, in response to an SRTH signal of reassurance,  $D$  offers a relatively stingy offer that will be rejected by  $R$ -types that undergo relatively large power shifts (see section 4.6.2). The reason why  $D$  makes a risk-



return offer in response to SRTH signals but not to AC signals of reassurance is that only the former decrease  $D$ 's aversion to experiencing a revision of the status quo after a power shift, and with it,  $D$ 's fear of making a potentially insufficient offer.

The second result from the previous analyses that is useful to bear in mind is that reassurance only occurs in pooling equilibria, that is, regardless of their type, potential revisionists will always play the same strategy. Essentially, the decision of whether reassurance is an equilibrium strategy is made by  $R$ -types whose power shift is limited. Because these non-revisionist types cannot improve their payoff by resorting to force if  $D$  makes a stingy offer, they will only reassure if they expect to obtain a sufficiently favorable offer. By contrast,  $R$ -types that harbor revisionist inclinations because they expect a large gain in relative capabilities have an incentive to reassure even if  $D$  makes a stingy offer because they can always increase their payoff by revising the status quo. Yet, in equilibrium, these revisionist types will always copy non-revisionist types in their signaling behavior because any feasible deviation from non-revisionists' signaling behavior would elicit a preventive strike from  $D$ .

In combination, these two results explain the broad dynamics of  $R$ 's signaling behavior when he has both SRTH and AC signals of reassurance at his disposal. Because de facto revisionists do not want to reveal their type to  $D$ , they will always emulate de facto non-revisionists' signaling behavior. De facto non-revisionists, in turn, generally prefer issuing AC to SRTH signals reassurance because the former yield more generous offers.  $R$  will only send an SRTH signal in equilibrium if his opportunity costs for sending SRTH signal dwarf his opportunity costs for sending an AC signal of reassurance.

Let us examine  $R$ 's decision-making calculus in more detail by assuming that  $R$  is just barely a potential revisionist because his ex ante capabilities fall below the critical threshold  $p^*$ , but are equal or larger than  $p^{**} = 1/3(2 - c_D - \sqrt{1 + 3c_R^2 + 2c_D + 6c_Rc_D + 4c_D^2})$ . In section 4.6.2 we have seen that under these conditions,  $R$  prefers issuing an SRTTH signal of reassurance to enduring a preventive strike in silence if his opportunity costs are sufficiently low (i.e., if  $\gamma_s \leq \gamma_s^{**}$ ). Furthermore, recall that  $R$ 's opportunity cost factor  $\gamma_s$  can only actually equal or lie below the threshold  $\gamma_s^{**}$  if  $p \geq p^{***} = 1 - c_R - c_D - \sqrt{2(c_R + c_D)}$ , because otherwise  $\gamma_s^{**}$  will be negative.<sup>4</sup> Thus, if  $p \geq p^{**}$ , we have two situations: if it is also the case that  $p \geq p^{***}$ ,  $R$  contemplates issuing an SRTTH signal of reassurance  $s_{sr}^*$  if his opportunity costs are sufficiently low. However, if  $p < p^{***}$ ,  $R$  strictly prefers enduring a preventive strike in silence to issuing an SRTTH signal of reassurance even if  $R$  incurs zero opportunity costs for reassurance.

If we compare  $R$ 's payoff in the first situation to his payoff for sending an AC signal, it turns out that  $R$ 's payoff for issuing an AC signal always exceeds his payoff for sending an SRTTH signal. Moreover,  $R$  always prefers issuing an AC signal  $s_{ar}^*$  to remaining silent because  $R$ 's opportunity cost factor  $\gamma_a$  can never exceed the critical opportunity cost factor  $\gamma_a^{**}$  (see section 4.5.2 for the identification of this threshold). Hence, if  $p \geq p^{**}$  and  $p \geq p^{***}$ ,  $R$ 's dominant strategy is to issue an AC-signal of reassurance  $s_{ar}^*$ , regardless of his opportunity costs for sending an AC or an SRTTH signal. In response to  $s_{ar}^*$ ,  $D$  offers  $x^*$ , which  $R$  will accept regardless of his true gain in relative capabilities.

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<sup>4</sup> Whether  $p^{**} \geq p^{***}$  or  $p^{**} < p^{***}$  depends on the size of  $c_R$  and  $c_D$ .

In the second situation,  $R$  always prefers remaining silent to sending an SRTH signal, but prefers issuing an AC signal of reassurance  $s_{ar}^*$  to silence if his opportunity cost factor  $\gamma_a$  for issuing an AC signal is sufficiently low. Hence, if  $p \geq p^{**}$  and  $p < p^{***}$ , the  $\gamma_a^{**}$ -cut point may actually bind, which means that  $R$  sends an AC-signal of reassurance  $s_{ac}^*$  if  $\gamma_a \leq \gamma_a^{**}$  and refrains from sending any signal and endures a preventive strike if  $\gamma_a > \gamma_a^{**}$ .

If we move further down the possible parameter values for  $R$ 's ex ante capabilities  $p$  towards zero, SRTH reassurance becomes a feasible strategy for  $R$ . Recall from our analysis in section 4.6.2 that if  $p < p^{**}$ ,  $R$ 's optimal SRTH signal of reassurance switches from  $s_{sr}^*$  to  $s_{sr}^{**}$ . However, for SRTH reassurance to constitute an option, it also has to be the case that  $p < p^{****} = c_R$  because otherwise  $\gamma_s^{***}$  violates the constraint that  $\gamma_s \geq 0$ .

Whether  $R$  issues  $s_{sr}^{**}$ ,  $s_{ar}^{**}$  or no signal at all under these conditions depends on the size of  $R$ 's respective opportunity costs for reassurance: if  $R$ 's opportunity cost factor  $\gamma_a$  for issuing an AC signal of reassurance exceeds the critical threshold  $\gamma_a^{**}$ ,  $R$  will send the SRTH signal of reassurance  $s_{sr}^{**}$  if  $\gamma_s \leq \gamma_s^{**}$  and refrains from reassurance if  $\gamma_s > \gamma_s^{**}$ . If AC reassurance is feasible because  $R$ 's corresponding opportunity cost factor  $\gamma_a \leq \gamma_a^{**}$ ,  $R$  sends an SRTH signal  $s_{sr}^{**}$  if  $\gamma_s$  equals or lies below the more constraining  $\gamma_s^{***}$ -threshold and sends the AC signal of reassurance  $s_{ar}^*$  if  $\gamma_s > \gamma_s^{***}$  (or, equivalently if  $\gamma_a \leq \gamma_a^{***}$ ).

Finally, if  $p > p^{****} = c_R$ , SRTH reassurance becomes infeasible for  $R$  because enduring a preventive strike in silence (which yields  $p - c_R$ ) will always yields a positive payoff, while issuing  $s_{sr}^{**}$  will at best yield an payoff of zero (as  $-\gamma_s(s_{sr}^{**2})$  is negative

unless  $\gamma_s=0$ ). Here,  $R$  reassures by sending the AC-signal  $s_{ar}^*$  if  $\gamma_a \leq \gamma_a^{**}$  and refrains from sending a reassuring signal if  $\gamma_a > \gamma_a^{**}$ .

Before we turn to the equilibrium statements, a few remarks on  $D$ 's decision-making calculus when she is facing a potentially strong gainer ( $p < p^*$ ) are warranted. Although  $D$  does not know the exact value of  $R$ 's gain in relative capabilities  $\Delta$ , she knows that  $\Delta$  ranges between  $\Delta_l=0$  and  $\Delta_{max}=1-p > \Delta^*$ , which means that  $R$ 's maximum gain in relative capabilities may exceed the critical power shift threshold  $\Delta^*$ . If potential revisionists play a pooling strategy,  $D$  retains her prior beliefs over the range of  $\Delta$  and only makes an offer if  $R$  sends a sufficiently reassuring AC signal ( $s_a \geq s_{ar}^*$ ) or SRTH signal ( $s_s \geq s_{sr}^*$  or  $s_s \geq s_{sr}^{**}$ ) and will resort to preventive action otherwise. Importantly,  $D$ 's decision to make an offer in response to these signals is predicated on the belief that the lower boundary of  $R$ 's gain in power is indeed  $\Delta_l=0$ . If  $D$  has reasons to believe that  $R$ -types with no or small gains in power will refrain from reassurance because  $R$  faces high opportunity costs and/or  $R$ 's relative capabilities make SRTH reassurance infeasible (i.e.,  $\Delta_l > 0$ ),  $R$ 's reassuring signals from the pooling equilibria will be insufficient to elicit an offer from  $D$ .

This raises the question of whether  $R$  can play a separating strategy in which some  $R$ -types send no or a weak signal of reassurance and other  $R$ -types issue a strong signal of reassurance in order to avoid prevention. As detailed in section 4.6.2, the problem with such a separating equilibrium is that there is no set of mutually consistent strategies and beliefs for  $D$  that will sustain  $R$ 's incentive to separate. In a nutshell, if  $D$  believes that she is likely to face a de facto non-revisionist, her rational response is to make an offer even if  $R$  does not reassure or only barely reassures. This, however, would induce de

facto revisionists to pose as non-revisionists in order to avoid prevention on the cheap, which violates  $D$ 's belief that she is facing only non-revisionist types.

Alternatively, it is conceivable that  $D$  only makes an offer if  $R$  sends a rather strong signal of reassurance and takes preventive action against the remaining  $R$  types. However, if we examine  $R$ 's incentives to send a reassuring signal that exceeds the magnitude of the reassuring signals in the pooling equilibria, it becomes evident that  $R$  will only send such a signal if he intends to revise the status quo after power shift -- which leads to  $D$ 's least preferred outcome. Hence, if  $R$  sends a signal of reassurance that exceeds the magnitude of the reassuring signals from the pooling equilibria,  $D$  will conclude that she must be facing a revisionist and takes preventive action. Anticipating that an attempt to reassure  $D$  is destined to fail,  $R$  will refrain from sending a reassuring signal in order to avoid incurring opportunity costs.

In summary, if  $R$  is a potential revisionist ( $p < p^*$ ), there are three equilibria. In the first equilibrium,  $R$  reassures  $D$  by sending the AC signal  $s_{ar}^*$  and  $D$  makes an offer  $x_{ar}^*$  which  $R$  is certain to accept. In the second equilibrium,  $R$  reassures  $D$  by sending the SRTH signal  $s_{sr}^{**}$  which elicits the risk-return offer  $x_{sr}^{**}$ , which  $R$ -types with relatively small gains in relative capabilities will accept and the remaining  $R$ -types will reject. In the third equilibrium,  $R$  refrains from sending a signal of reassurance, which induces  $D$  to take preventive action.

**Unified Model Equilibrium IIa: AC-Reassurance and Accommodation:** Potential revisionists ( $p < p^*$ ) send an audience cost-based signal of reassurance  $s_{ar}^* = 1 - p - c_R - c_D$  if  $p \geq p^{**}$  and  $p \geq p^{***}$ , if  $p \geq p^{**}$ ,  $p < p^{***}$  and  $\gamma_a \leq \gamma_a^{**}$ , if  $p < p^{**}$ ,  $p \leq p^{****}$ ,  $\gamma_s \leq \gamma_s^{**}$ , and  $\gamma_a \leq \gamma_a^{***}$ , or if  $p < p^{**}$ ,  $p > p^{****}$  and  $\gamma_a \leq \gamma_a^{**}$ . On the equilibrium path,  $D$  relies on her prior beliefs over  $\Delta$  with  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p > \Delta^*$  and offers  $x_{ar}^* = 1 - c_R - s_{ar}$  in response to  $s_{ar}^*$ .  $R$  accepts  $x_{ar}^*$ . Off the equilibrium path,  $D$  also believes that  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p > \Delta^*$  and offers  $x = 1 - c_R - s_a$  if  $s_a \leq 1 - p - c_R - c_D$  and launches a preventive strike if  $s_a > 1 - p - c_R - c_D$  or

$s_s \geq 0$ . If  $s_s < 0$ ,  $D$  believes that  $\Delta_l \geq c_R + c_D - \gamma_a(1-p-c_R-c_D)^2 + s_s + \gamma_s(s_s)$  and  $\Delta_{max} = 1-p > \Delta^*$  launches a preventive strike.

**Unified Model Equilibrium Iib: SRTH-Reassurance and Risky Offer:** Potential revisionists ( $p < p^*$ ) send a security-related tying hands signal  $s_{sr}^{**} = 1 + c_D - \sqrt{(c_R^2 + 2c_D + 2c_Rc_D + c_D^2 + 2p - 2c_Dp - 2p^2)}$  if  $p < p^{**}$ ,  $p \leq p^{****}$ ,  $\gamma_s \leq \gamma_s^{**}$  and  $\gamma_a > \gamma_a^{**}$  or if  $p < p^{**}$ ,  $p \leq p^{****}$ ,  $\gamma_a \leq \gamma_a^{**}$  and  $\gamma_s \leq \gamma_s^{***}$ . On the equilibrium path,  $D$  relies on her prior beliefs over  $\Delta$  with  $\Delta_l = 0$  and  $\Delta_{max} = 1-p > \Delta^*$  and offers  $x_{sr}^{**} = 0$  in response to  $s_s^{**}$ .  $R$ -types with low power shifts ( $\Delta \leq \Delta^{**}$ ) accept  $x_{sr}^{**}$ , while  $R$ -types with relatively high power shifts ( $\Delta > \Delta^{**}$ ) reject  $x_{sr}^{**}$ . Off the equilibrium path,  $D$  also believes that  $\Delta_l = 0$  and  $\Delta_{max} = 1-p > \Delta^*$  and offers  $x = 0$  if  $s_s \leq 1 + c_D - \sqrt{(c_R^2 + 2c_D + 2c_Rc_D + c_D^2 + 2p - 2c_Dp - 2p^2)}$  and offers  $x = 1 - c_R - s_a$  if  $s_a \leq 1 - p - c_R - c_D$ . If  $s_s > 1 + c_D - \sqrt{(c_R^2 + 2c_D + 2c_Rc_D + c_D^2 + 2p - 2c_Dp - 2p^2)}$ , or  $s_a > 1 - p - c_R - c_D$ ,  $D$  again believes that  $\Delta_l = 0$  and  $\Delta_{max} = 1-p > \Delta^*$  and launches a preventive strike.

**Unified Model Equilibrium III: Silence and Prevention:** Potential revisionists ( $p < p^*$ ) pool on silence ( $s_i = 0$ ) if  $p \geq p^{**}$ ,  $p < p^{***}$ ,  $\gamma_a > \gamma_a^{**}$ , if  $p < p^{**}$ ,  $p > p^{****}$ ,  $\gamma_a > \gamma_a^{**}$  and, or if  $p < p^{**}$ ,  $p \leq p^{****}$ ,  $\gamma_a > \gamma_a^{**}$  and  $\gamma_s > \gamma_s^{**}$ . On the equilibrium path,  $D$  relies on her prior beliefs over  $\Delta$  with  $\Delta_l = 0$  and  $\Delta_{max} = 1-p > \Delta^*$  and launches a preventive strike. Off the equilibrium path,  $D$  also believes that  $\Delta_l = 0$  and  $\Delta_{max} = 1-p > \Delta^*$  and launches a preventive strike if  $s_a > 1 - p - c_R - c_D$  or  $s_s \geq 0$ . If  $s_s < 0$ ,  $D$  believes that  $\Delta_l > s_{sr}$  and  $\Delta_{max} = 1-p > \Delta^*$  and launches a preventive strike as well. If  $s_a \leq 1 - p - c_R - c_D$ ,  $D$  again believes that  $\Delta_l = 0$  and  $\Delta_{max} = 1-p > \Delta^*$  and offers  $x = 1 + c_R - s_a$ .

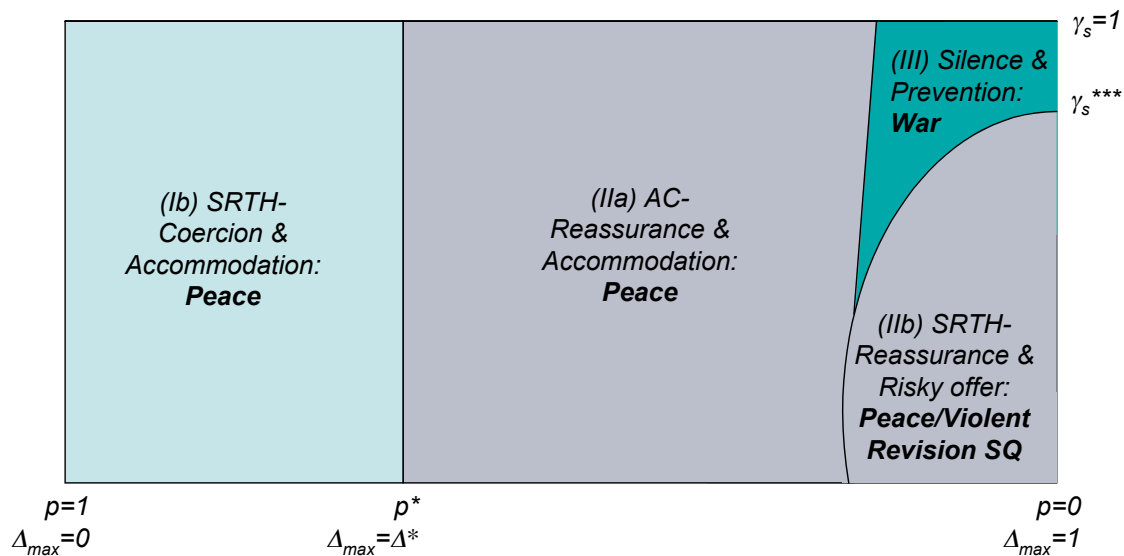
The equilibrium space of the unified model is illustrated in the two figures below.

*Figure 13* is based on the assumptions that  $c_R = 0.1$ ,  $c_D = 0.2$ ,  $\gamma_s \leq \gamma_a$  and  $\gamma_a = 0.8$ . In *Figure 14* it is assumed that  $\gamma_a \leq \gamma_s$  and  $\gamma_s = 0.8$ , while the costs of fighting are the same. These graphs illustrate several of the broad findings from the analysis above. With respect to coercion,  $R$ 's decision-making calculus on whether to issue an AC or SRTH signal is solely based on his respective opportunity costs: because it is assumed that  $\gamma_s < \gamma_a$  in *Figure 13*,  $R$  only coerces by sending SRTH signals in equilibrium. Accordingly, in *Figure 14*, where it is assumed that  $\gamma_a \leq \gamma_s$ ,  $R$  coerces by sending AC-signals in equilibrium.

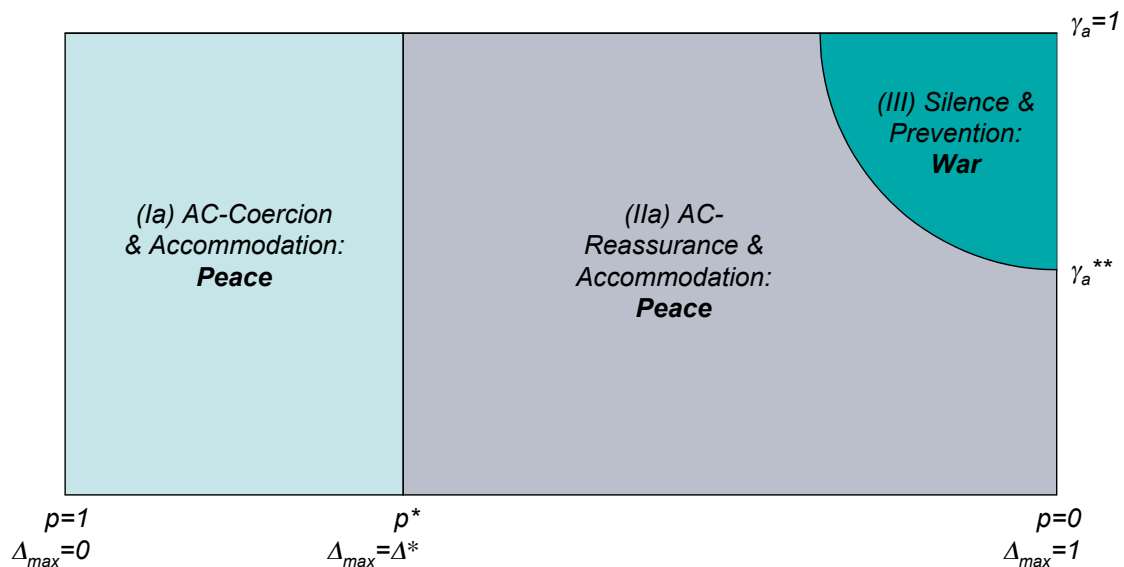
With respect to reassurance, *Figure 13* and *14* show that audience-cost based signals largely crowd out security-related tying-hands signals. Note that even though it is

assumed that  $R$  incurs lower opportunity costs for issuing SRTH signals than for AC signals ( $\gamma_s < \gamma_a$ ) in *Figure 13*,  $R$  sends AC signals of reassurance for a wide range of  $p$  values. Only if  $R$ 's ex ante capabilities are extremely low, will  $R$  send SRTH-signals of reassurance. Moreover, in *Figure 14*, where  $\gamma_a \leq \gamma_s$ ,  $R$  will never resort to SRTH-reassurance in equilibrium.

**Figure 13: Unified model equilibrium space with  $c_R=0.1$ ,  $c_D=0.2$ ,  $\gamma_s < \gamma_a$ ,  $\gamma_a=0.8$**



**Figure 14: Unified model equilibrium space with  $c_R=0.1$ ,  $c_D=0.2$ ,  $\gamma_a \leq \gamma_s$ ,  $\gamma_s=0.8$**





### 5.2.3 Discussion

The unified model of coercion and reassurance suggests a number of specific hypotheses on the determinants and effects of rising state' signaling behavior. As shown in the equilibrium analysis (see also *Graph 7* and *Graph 8*), a state's signaling behavior depends on the following factors: the distribution of ex ante capabilities, the rising and declining states' combined costs of fighting and the opportunity costs of sending different kinds of signals.

Leaving aside the role of opportunity costs for a moment, perhaps the most fundamental empirical implication of the solution of the unified model of coercion and reassurance is - if we hold the costs of fighting constant - that relatively strong rising states should generally send signals of coercion while relatively weak rising states should generally send signals of reassurance.

***Hypothesis 1a:*** Relatively strong rising states are more likely to send coercive signals than relatively weak rising states.

***Hypothesis 1b:*** Relatively weak rising states are more likely to send reassuring signals than relatively strong rising states.

It is important to note that the distribution of ex ante relative capabilities plays a crucial role for rising states' signaling behavior not because they affect declining states' probability of winning a violent conflict, but because they put a constraint on rising states' maximum power shift. Since relatively low ex ante capabilities allow for much larger power shifts than high ex ante capabilities, declining states should be much more worried about ex ante weak rising states than ex ante relatively powerful rising states. This logic suggests, for example, that Pakistan should be much more concerned if India added one nuclear weapon to its arsenal than if Russia or China added one nuclear

weapon to their arsenal. Furthermore, this line of reasoning suggests that, all else equal, India should feel much more compelled to issue a signal of reassurance than Russia or China.

The threshold that separates relatively powerful rising states which do not have to fear prevention from relatively weak rising states that will have to reassure their declining opponents in order to avert prevention is contingent upon a declining state's and its opponent's joint costs of conflict: the higher the costs of conflict, the more inclusive the category of powerful states that do not have to fear a preventive strike. Thus, by holding rising states' relative capabilities constant, it is possible to derive predictions over rising states' preferred signals on basis of the costs of conflict, which includes the costs of prevention and the costs of a violent revision of the status quo.

***Hypothesis 2a:*** Rising states are more likely to send coercive signals than reassuring signals if the costs of conflict are high.

***Hypothesis 2b:*** Rising states are more likely to send reassuring signals than coercive signals if the costs of conflict are low.

The intuition behind these hypotheses is straightforward: since an increase in the costs of conflict broadens the bargaining range, it decreases a declining state's temptation to take preventive action and with it, a rising state's incentive to send a signal of reassurance. Furthermore, it should also be noted that the larger bargaining space, the more tolerant a declining state will be of coercive signals.

Let us consider the model's predictions with respect to rising states' choices over different types of signals of reassurance and coercion. One of the most remarkable results of the model is that allegedly rising states should never, or in probabilistic terms, rarely, resort to sunk-cost signals in order to coerce or reassure declining opponents:

**Hypothesis 3:** Rising states are less likely to send sunk-cost signals of coercion or reassurance than audience cost-based signals or security-related tying-hands signals.

While states may take actions that resemble sunk-cost signals in situations of uncertainty over power shifts, the model suggests that these signals are not intended to coerce or reassure, but ought to be motivated by other (e.g., domestic) considerations. Furthermore, if a rising states sends a sunk-cost signal, it should not affect a declining state's decision-making calculus on whether or not to take preventive action.

Note that this finding qualifies Kydd's general result (2005) that states can reassure their opponents and avoid a violent conflict by sending costly signals. Sunk cost-signals turn out to be ineffective in the analysis above because they neither alleviate the commitment problem that rising states may face nor allow a rising state to credibly communicate his true gain in relative capabilities to the declining state.

While the model suggests that sunk-costs signals are never sent in equilibrium, it assigns a powerful role to both audience-cost based signals and security-related tying-hands signals. With respect to coercive signals, the empirical prediction over a rising state's signaling choice is simple: a rising state should always send the coercive signal that is associated with the smaller opportunity cost.

**Hypothesis 4a:** Relatively powerful rising states whose opportunity costs for sending AC signals are lower than for SRTH signals are more likely to send the former signals of coercion than the latter.

**Hypothesis 4b:** Relatively powerful rising states whose opportunity costs for sending SRTH signals are lower than for AC signals are more likely to send the former signals of coercion than the latter.

Furthermore, the model makes the strong prediction that rising states should never overcoerce their opponents, i.e., they will never coerce so much as to provoke an opponent into launching a preventive strike. This leads to the following hypothesis:

***Hypothesis 5:*** Rising states that send a signal of coercion are unlikely to be subjected to preventive action by a declining state.

The model predicts that under some circumstances, states will refrain from sending a signal, but still obtain an offer. This equilibrium of “silence and accommodation” is based on the knife-edge condition that a rising state’s ex ante capabilities equal the sum of its own and its opponent’s costs of conflict, i.e.,  $p = c_R + c_D$ . Arguably, subjecting this prediction to an empirical test will be rather difficult because it requires that the corresponding parameters can be measured exactly. However, when taking into account that relatively weak rising states should generally reassure and that relatively powerful rising states should generally coerce, it may be possible to test the validity of the “silent and accommodative” equilibrium on the basis of the following hypothesis:

***Hypothesis 6:*** Moderately powerful rising states are more likely to refrain from sending a signal than relatively weak and relatively powerful states.

Importantly, the model also suggests that relatively weak states may refrain from sending a reassuring signal if the opportunity costs of sending such a signal are relatively high. There is a notable difference in outcomes, however: while a moderately powerful rising state should obtain an offer even if he refrains from issuing a signal, an ex ante weak

rising state rising state should be subjected to preventive action if he refrains from issuing a signal.

***Hypothesis 7:*** Moderately powerful rising states that refrain from sending a signal are less likely to be a subjected to preventive action than relatively weak states that refrain from sending a signal.

Let us turn to the model's predictions with respect to rising states' decisions over audience cost-based and security-related tying-hands signals of reassurance. As mentioned above, the model proposes that relatively low ex ante capabilities, or equivalently, relatively low costs of conflict constitute a necessary condition for reassurance to occur. Whether a state will send a reassuring AC signal, a reassuring SRTH signal or no reassuring signal at all, depends on the respective opportunity costs for sending such signals. Overall, the results of the model suggest that rising states should have a slight preference in favor of AC reassurance if they have both AC and SRTH signals at their disposal. This conclusion is based on the following results. First, the model suggests that rising states with low to moderate relative capabilities should have a strict preference for AC reassurance over SRTH reassurance. In other words, these states will either send an AC signal of reassurance or they will refrain from sending a reassuring signal altogether.

***Hypothesis 8:*** Weak to moderately rising powerful states are more likely to send an audience cost-based signal of reassurance or to refrain from sending a signal than to send a security-related tying-hands signal of reassurance.

Second, rising states with very low capabilities may either send an AC or SRTH signal of reassurance, provided that the opportunity costs are sufficiently low. However, examining the parameter values that support the respective equilibria reveals that rising states only ought to prefer sending reassuring SRTH signals to reassuring AC signals if

the opportunity costs for sending an AC signal are extremely high. Once a state incurs moderate or low opportunity costs for sending AC signals, AC signals will always be preferred to sending SRTH signals. This leads to the following hypotheses:

***Hypothesis 9a:*** Very weak rising states are likely to send an SRTH signal of reassurance if the opportunity-costs for sending AC signal of reassurance extremely high and the opportunity costs for sending an SRTH signal are sufficiently low.

***Hypothesis 9b:*** Very weak rising states are likely to an AC signal of reassurance if the opportunity costs for sending an AC signal of reassurance are low to moderately high.

If both the opportunity costs for sending an AC or an SRTH signal are sufficiently high, the model predicts that weak states refrain from sending a reassuring signal altogether.

***Hypothesis 10:*** Weak states that are suspected of a power shift in their favor will refrain from sending a signal of reassurance if the opportunity costs for sending an AC or SRTH signal are sufficiently high.

Furthermore, the model makes a prediction on how rising states' signaling behavior affects their propensity to revise the status quo in a violent fashion after a power shift has materialized.

***Hypothesis 11:*** Rising states that send an AC signal of reassurance are less likely to revise the status quo in a violent fashion than rising states that send an SRTH signal of reassurance.

Finally, the results of the model propose that declining states react to rising states' signals of reassurance and the lack thereof in the following way:

***Hypothesis 13:*** Rising states that send an AC or SRTH signal of reassurance are less likely to be subjected to preventive action than rising states that refrain from sending a signal of reassurance.

Before we turn to the empirical examination, it may be useful to consider the following summary of the unified model's theoretical propositions in the table below.<sup>5</sup>

**Table 2: A summary of the unified model's key propositions**

<b>Equilibrium</b>	<b>Coercion</b>	<b>Reassurance</b>	<b>Silence</b>
<b>Parameter values</b>			
<b>Size of anticipated power shift</b>	<i>low to medium</i>	<i>high</i>	<i>high</i>
<b>Costs of conflict/prevention</b>	<i>medium to high</i>	<i>low</i>	<i>low</i>
<b>Opportunity costs</b>	<i>low to high</i>	<i>low</i>	<i>high</i>
<b>Behavioral predictions</b>			
<b>Rising state</b>	<i>silence or coercion → dependent on power shift-cost of conflict ratio AC or SRTH coercion → dependent on opportunity costs offer always accepted</i>	<i>reassurance → general preference for AC reassurance, SRTH possible; if AC reassurance: offer always accepted if SRTH reassurance: offer sometimes accepted</i>	<i>silence</i>
<b>Declining state</b>	<i>acquiescence/ acceptable offer</i>	<i>if AC reassurance: acceptable offer if SRTH reassurance: risk-return offer</i>	<i>prevention</i>
<b>Outcome</b>	<i>peace</i>	<i>if AC reassurance: peace if SRTH reassurance: risky peace</i>	<i>conflict</i>

<sup>5</sup> It should be noted that this summary is for heuristic purposes only. For instance, note that for the sake of simplicity and intuition, the table does not explicitly refer to all possible combinations of the of size of anticipated power shift and costs of conflict (e.g., low/low or high/high), even though the model captures all possible configurations of the parameter space.

## 6 French fears and Germany's policy of reassurance, 1949-1955

### 6.1 Overview

In a radio address on February 2, 1945, just weeks before Germany's military defeat and the end of World War II in Europe, Charles de Gaulle declared that "the cause of all our trials has always been Germany who was favored by errors, illusions or outside help. That is to say, not only the future but also the very life of France depends on what will be done to the defeated Germans [...]" (De Gaulle 1945). De Gaulle also pointed out that France "will accept only conditions which are in conformance to the aims she has set for herself, in order to make sure that no German aggression will ever be possible in the future, either against France, or any state with which she is, or might be, allied" (De Gaulle 1945).

Despite France's strong fears of Germany's return to power it took barely ten years for Germany not only to undergo a remarkable political and economic recuperation, but also to obtain France's agreement to rearm itself and establish the *Bundeswehr*. What accounts for this astonishing development?

In the following empirical analysis of Franco-German relations between 1949 and 1955, I will argue that France's threats to prevent Germany's unimpeded recuperation induced Germany to issue a several security-related tying-hands signals of reassurance towards France, which in turn were critical for France's willingness to soften its obstructionist policy and grant Germany's limited return to power. Hence, Franco-German relations constitute a prime example for security-related tying-hands signals of reassurance identified in which a rising state averts preventive action by engaging in a policy of military self-restraint towards a declining state (in see chapters 4 and 5).



This line of reasoning contrasts with the extant literature on power shifts and preventive action which explains a declining state's behavior towards a rising state not in strategic, but solely in decision-theoretic terms (see chapter 3). Specifically, the extant theoretical literature suggests that France's decision not to take preventive action against Germany ought to be explicable in terms of the size and the speed of the anticipated power shift in favor of Germany (Copeland 2000; Van Evera 1999; Powell 2004), system polarity (Copeland 2000), France's military capabilities and strategy (Lee 2008; Van Evera 1999), regime type (Schweller 1992) psychological inclinations (Renshon 2006) and normative concerns (Silverstone 2007; Bzostek 2008). Importantly, the theoretical model developed in chapters 4 and 5 does not reject the causal efficacy of these factors for a declining state's decision-making calculus. As a matter of fact, it explicitly agrees with the assertions that both the expected size of a power shift and the ex ante distribution of relative capabilities play a critical role for a declining state's propensity to take preventive action. Furthermore, the theoretical model is open to the arguments that system polarity as well as a declining state's regime type, psychological biases and normative considerations may matter insofar as they help account for a declining state's cost assessment of taking preventive action.

Yet, the theoretical model developed in this dissertation maintains that an examination of a declining state's propensity to take preventive action is not sufficient to explain the actual occurrence of preventive action. Unlike the extant literature, the theoretical approach laid out in the preceding chapters suggests that a rising state's behavior towards a declining state constitutes a critical factor for the latter's decision-making calculus on whether to take preventive action or not.

Hence, while the extant literature would argue that Germany's behavior was irrelevant for France's decision to eventually permit West Germany's gain in relative capabilities after World War II, both the theoretical model and the empirical evidence strongly suggest that France's foreign policy towards West Germany was conditional on its willingness to reassure France. Moreover, as predicted by the theoretical model, there is persuasive evidence that Germany's grand strategy of reassurance was not coincidental or due to some inert benignity of its decision-makers, but resulted from the fear that France would prevent or least impede Germany's reconstruction if it failed to engage in a policy self-restraint.

It is worth emphasizing that this empirical chapter does not claim that West Germany's signals persuaded France to refrain from resorting to preventive war. As the following analysis will show, France never seriously considered taking violent military action against Germany because France's war-waging capabilities were exhausted and Germany was already utterly defeated after 1945. Yet, as an occupation power, France was in the unique position to utilize non-violent means to thwart Germany's revitalization by refusing to merge the French occupation zone with the Bizone, maintaining control of the Ruhr area and vetoing West Germany's entry into NATO. However, due to the American political and economic pressure on France to stop interfering with its reconstruction efforts and France's increasing fears of possibly facing the "Russians on the Rhine" in the future, these policies were associated with significant inefficiencies for France. Hence, even though France did not consider using force to stifle Germany's growth in relative capabilities, the Franco-German case study supports the theoretical

contention that even threats of preventive action that are short of war and military action can induce rising states to engage in a strategy of reassurance.

In order to flesh out these arguments, this empirical chapter is structured as follows. The first part (6.2) offers a descriptive examination of the broader historical and strategic context of Franco-German relations. As will be laid out below, West Germany's rapid rise and France's fears can be directly traced to the American and British efforts to rebuild and strengthen West Germany in order to stabilize continental Europe and thwart the Soviet Union's expansionist inclinations.

The second part (6.3) of the empirical analysis takes a closer look at France's fears of Germany's return to power and its response to the American and British measures to facilitate Germany's economic recuperation, political independence and military revitalization. While France viewed these measures with disdain, especially in the first years after World War II, it soon realized that pursuing an overly obstructionist policy towards Germany's reconstruction would be associated with significant costs: not only was France dependent on the U.S. security guarantee and economic and financial aid, it also became convinced that a weak Germany would increase France's vulnerability vis-à-vis Russia. Yet, France was not prepared to simply green-light its Western partners' plans to rebuild and rearm West Germany. Instead, it demanded concessions from both the United States and Great Britain and, at least just as importantly, from West Germany concerning the extent of Germany's gain in relative capabilities. In response, Germany issued three security-related tying-hands signals of reassurance by (i) joining the European Coal and Steel Community (ECSC) and ceding part of the Ruhr's economic potential to France in 1951, (ii) accepting significant constraints on the modalities of its

rearmament by signing the European Defense Community (EDC) Treaty in 1952, and *(iii)* forswearing the production of atomic, biological and chemical (ABC) weapons and accepting various military constraints in the NATO/WEU framework in 1954/1955. As will be shown, these actions proved critical for France's willingness to assent to Germany's political, economic and especially military reconstruction.

The third section (6.4) examines the German perspective. Here, it will be shown that Germany was acutely aware of the game it was playing with France. The West German government knew early on that France could and would sabotage West Germany's reconstruction unless West Germany reassured France that it would not exploit its gain in relative capabilities in the future. Hence, Germany's decisions to join the ECSC, accept the terms of its rearmament imposed by the EDC and to forego the production of ABC and heavy weapons, were explicitly intended to alleviate French fears of Germany's gain in relative power.

The last section (6.5) offers a summary of the central findings and a further discussion of how the evolution of Franco-German relations between 1949 and 1955 compares with the predictions of the theoretical models developed in chapters 4 and 5.

## 6.2 Historical Background

Although the subsequent empirical analysis focuses on the bilateral relations between France and Germany between the end of World War II and the mid-1950s, it is important to consider the broader historical context of Franco-German relations. According to Trachtenberg (1999) “the problem of German power lay at the heart of the Cold War” (vii) and its resolution provided “the key to the establishment of a stable international system in Europe, and ultimately in the world as a whole” (vii). In the following, we will examine the broader historical developments, namely how the increasing tensions between the United States and Great Britain on the one hand and the Soviet Union on the other, induced the former to restore West Germany’s economic potential, political independence and military capabilities and to integrate it into the Western security architecture. Furthermore, this section lays out how the U.S. and British governments used a policy of carrots and sticks to persuade France to go along with these policies.

As World War II drew to its close, it seemed that the American, British and Soviet plans for post-war Germany were based on one common overriding goal: to ensure that Germany, which did not only initiate the bloodiest war in human history, but also played a key role in provoking World War I, would be incapable of waging yet another war. At the Yalta Conference in February 1945 the Big Three vowed to undertake the “complete disarmament, demilitarization and dismemberment of Germany as they deem requisite for future peace and security” (Foreign Relations of the United States 1945, Malta and Yalta, 978; cited as *FRUS* hereafter). They further agreed that their respective occupation zones would be jointly administered by an Allied Control

Council (ACC) and that “a zone in Germany, to be occupied by the French Forces, should be allocated to France” (*FRUS* 1945, Malta and Yalta, 978).

Regarding the future of Germany, two issues turned out to be major sticking points at the political negotiations at Yalta. First, the Allied Powers could not settle on a procedure for dismembering Germany. While General Secretary Josef Stalin pushed for a permanent dismemberment of Germany, President Franklin D. Roosevelt was still undecided on this issue and instructed his staff that “our attitude should be one of study and postponement of [a] final decision” (*FRUS* 1945 III, 221). By contrast, Prime Minister Winston Churchill feared that an indefinite dismemberment would hinder Germany’s economic reconstruction and its ability to pay reparations. Furthermore, Churchill believed that Germany’s dismemberment into several small states could destabilize Europe. Due to these disagreements, the Allied Powers decided to defer the question of Germany’s dismemberment to a joint council (Görtemaker 1999, 19-20).

Second, the Allied Powers were not able to agree on a common reparations policy. The Soviets had proposed to dismantle and reduce German heavy industry by 80 per cent and to set Germany’s overall reparations at 20 billion U.S. dollars of which they demanded 50 per cent. The United States and Great Britain opposed these demands and the United States merely conceded to consider the sum of 20 billion U.S. dollars in reparations “as a basis for discussions” (*FRUS* 1945, Malta and Yalta, 901-903; 979).

By the time of the July 1945 Potsdam Conference, the Big Three agreed to shelve the plans to permanently dismember Germany into separate units, but had different reasons to do so. The United States and Great Britain opposed the dismemberment of Germany because they believed that it would ruin its economy, foster irredentism and

create a power vacuum vulnerable to Soviet influence. The Soviet Union, on the other hand, thought that a united Germany would be more amenable to Soviet influence in the future than a dismembered Germany (Hitchcock 2003, 25). Although the Potsdam Agreement declared that “there shall be uniformity of treatment of the German population throughout Germany” (*FRUS* 1945, Conference of Berlin II, 1502), it actually had the opposite effect as “it granted to the occupying powers the responsibility and the right to effect a social and political reformation of Germany” (Hitchcock 2003, 25) in their respective zones.

The Allied Powers also agreed to disagree on the question of German reparations. While the United States and Great Britain pursued a policy of controlled economic recovery, the Soviet Union engaged in the severe looting and dismantling of industrial plants in the Soviet Occupation Zone (SOZ). The Western Allied Powers believed that treating Germany as a single economic unit (as agreed upon in the Potsdam Agreement) would only be possible if the Russians decreased their reparations demands and simultaneously allowed for a common import export-program for the occupation zones -- which the Russians firmly opposed. In response, the U.S. decided to suspend reparations deliveries to the SOZ. This decision is generally seen as de facto breakdown of the Big Three’s consensus to run Germany as a common unit (Trachtenberg 1999, 45-46).

In 1946, the Western powers were starting to have severe doubts whether it would be possible to retain a common Germany policy with the Soviets. As Trachtenberg (1999) lays out, the Soviet unwillingness to pull their troops out of Iran as well as their insistence to build military bases on the Turkish Straits reinforced the American belief that the “Soviet Union was an expansionist power” (41) and that “only countervailing

power could keep her in line” (41). This switch in the American attitude towards the Soviet Union is most famously reflected in George F. Kennan’s long telegram which suggested that Soviet Union is a “political force committed fanatically to the belief that with [the] US there can be no permanent *modus vivendi*” (*FRUS* 1946 VI, 706) and concluded that the “[p]roblem of how to cope with this force in [is] undoubtedly [the] greatest task our diplomacy has ever faced and probably [the] greatest it will ever have to face” (*FRUS* 1946 VI, 707). American worries about the geopolitical aspirations of the Soviet Union were heightened by developments in the Soviet Occupation Zone, where the Soviets implemented a large-scale land reform, socialized the heavy industry, restructured the public education system and forced the Social Democratic Party (SPD) and the Communist Party (KPD) to merge into the Socialist Unity Party of Germany (SED) (Görtemaker 1999, 34).

In 1946, concerns over Soviet intentions were also riding high in Great Britain, where key decision-makers become increasingly convinced that the West German occupation zones ought to be politically and militarily strengthened in order to obstruct Soviet expansionism. In his famous March 1946 “Iron curtain” speech, Churchill expressed his fears that the Soviet Union desires “the fruits of war and the indefinite expansion of their power and doctrines” (quoted in Muller 1999, 11) and warned that if “the Soviet Government tries, by separate action, to build up a pro-Communist Germany in their areas, this will cause new serious difficulties in the British and American zones, and will give the defeated Germans the power of putting themselves up to auction between the Soviets and the Western Democracies” (9).



The first prominent manifestation of the 1946 turnaround in the Western powers' strategic outlook was the December 2 decision of the American and British governments to start rebuilding Germany by economically merging their occupation zones into the Bizone. In his 1946 Stuttgart speech, U.S. Secretary of State James F. Byrnes stated that the primary purpose of the Bizone was to reduce the "needless aggravation of economic distress that is caused by the failure of the Allied Control Council to agree to give the German people a chance to solve some of their most urgent economic problems" (Byrnes 1946). After the Allied Powers failed to make progress on formulating a common policy on Germany during the 1947 Council of Foreign Ministers' (CFM) Moscow meeting, the United States and Great Britain decided to equip the Bizone with an Economic Council and an Executive Committee, which turned out to be the foundations of the West German parliament and the cabinet (Görtemaker 1999, 38).

The United States and Great Britain took the next significant effort to rebuild and strengthen the West German occupation zones only a few months later by announcing the European Recovery Plan (ERP), also known as the Marshall Plan. Announced in June 1947 and implemented in early 1948 for a duration of four years, the Marshall Plan constituted a core policy of the Truman Doctrine to contain communism. Over the course of four years, West Germany alone received almost 1.4 billion U.S. dollars (about 12 billion U.S. dollars in 2008 prices; Stern 1997, 4) in aid. In order to ease the implementation of the Marshall Plan, the United States and Great Britain also introduced currency reform in the three western occupation zones on June 21, 1948.

Also in June 1948, the foreign ministers of the United States and Great Britain persuaded France to sign the London Recommendations, which authorized the minister

presidents of the West German *Länder* to hold a constituent assembly in order to draft a constitution for West Germany. As will be discussed in more detail below, the French were very hesitant to agree to the London Recommendations and asked the United States for a commitment to maintain its military presence in Germany. Furthermore, the French requested to establish an international authority to control the Ruhr Area to govern the production of coal and steel and supervise Germany's fulfillment of its disarmament and reparations obligations (Görtemaker 1999, 48; Trachtenberg 1999, 78-79).

Although the Soviet Union tried to obstruct the creation of a West German state by instituting the 1948 Berlin blockade, the London Recommendations were implemented quickly: in September 1948 the minister presidents of the Western *Länder* convened the Parliamentary Council to devise a new constitution under Western supervision, which went into force on May 23, 1949. In August 1949, West Germany held its first national elections for the Bundestag. In September, Konrad Adenauer became Chancellor. One month later, the German government replaced the Allied Military Governors in the Organisation for European Economic Cooperation (OEEC), which had been established in April 1948 to facilitate the distribution of the Marshall Fund and to liberalize the trade and monetary affairs of its member states.

There were two major issues that remained problematic with respect to West Germany's recovery: its economic reconstruction and its military recuperation. With respect to the former, the November 1949 Paris Conference constituted a major milestone. When the U.S. government pushed to reduce the dismantling of the German economy, the French government refused and claimed that this would jeopardize France's military and economic security. As a compromise, France accepted to reduce

and eventually stop the dismantling of the German industry, while the U.S. and Great Britain agreed that Germany would have to cooperate with the new Military Security Council and accept the International Authority for the Ruhr (IAR) by sending German representatives. The IAR was strongly contested in Germany because the six Western representatives had 12 votes whereas Germany only had 3, which meant that the Western delegates could easily override German votes. Furthermore, there were strong fears in Germany that the Ruhr area would permanently remain in the hands of the Western members (Görtemaker 1999, 280-282).

The situation on the Ruhr remained a major source of tension for both intra-allied relations as well as for Franco-German relations, because the IAR allowed its members to buy coal below world market prices and at the expense of German industrial needs. Fearing that the Ruhr regime would hamper West Germany's economic reconstruction, the United States repeatedly asked France to devise a more equitable solution and even threatened to reduce Marshall Plan credits if France did not give up its obstructionist policies on the Ruhr status and German reparations (Wall 1991, 206-209).

In response to the American demands, the French government proposed the Schuman Plan, which was based on Jean Monnet's idea to "place the entirety of the Franco-German steel and coal production under the purview of an International Agency, which is open for the participation of other European nations" (Monnet 1978, 380). As will be discussed in detail below, West Germany's acceptance of the core idea of the Schumann Plan, which eventually led to the creation of the European Coal and Steel Community (ECSC), constituted an important security-related tying-hands signal which

helped reassure France that it to fear neither Germany's economic recuperation nor its military ramifications.

Much to the vexation of France, the United States did not only pursue West Germany's economic recovery, but also its military revival in order to hamper Soviet expansionism. In a February 1948 meeting with French embassy representatives, the U.S. State Department had already intimated that it was considering "the eventual participation of Western Germany in security measures" (*FRUS* 1948 II, 65), which the French Embassy Minister Armand Bérard rejected out of hand because "such participation would imply [the] reestablishment of the German army, which his Government would not favor" (*FRUS* 1948 II, 65).

After the outbreak of the Korean War, the United States began to advocate Germany's rearmament more vigorously. After a meeting with President Harry Truman on July 31, 1950, Secretary of State Dean Acheson noted that "the question was not whether Germany should be brought into the general defensive plan but rather how this could be done without disrupting anything else that we were doing and without putting Germany into a position to act as the balance of power in Europe" (*FRUS* 1950 IV, 702).

At the New York CFM in September 1950, the U.S. government presented a package deal in order pressure Great Britain and France into accepting West Germany's rearmament: in return for supplying an American NATO commander and maintaining a sizable presence of U.S. troops in Europe, the U.S. government asked France to accept German rearmament within a European force so that Germany "would not have the capacity for independent action" (*FRUS* 1950 III, 316-319). While the "British suppressed their misgivings and went along with Acheson's proposal" (Trachtenberg

1999, 108), the French proposed that German rearmament should only be taken into consideration after NATO had been strengthened. The French, however, knew that they could not avert German rearmament in the long-run and feared that an outright rejection would mean that “German rearmament will be accomplished despite us, almost against us” (quoted in Wall 1991, 199) and began to work on the “modalities permitting the retention of sufficient control on the part of the French government over German rearmament” (199).

On October 24, the French government announced the Pleven Plan, which called for “a European army tied to political institutions of a united Europe [...] at the level of the smallest possible Unit” (Hanhimäki and Westad 2004, 317). The United States and Great Britain reacted critically to the Pleven Plan because they believed that it was impractical and intended to actually postpone German rearmament. Chancellor Adenauer also had misgivings about the discriminatory elements of the Pleven Plan (Schwarz 1981, 135). However, the United States remained committed to rearming Germany and eventually the Spofford compromise was reached: while the Western allies would develop plans for a European Army, German units would be raised and placed under direct NATO command (Large 1996, 96-97).

The negotiations on the establishment of European Defense Community (EDC) began in the fall of 1950. After a lengthy and complicated series of negotiations, France, Germany and the Benelux countries signed the EDC Treaty on May 27, 1952. The French agreement to allow the creation of German military forces was contingent on security assurances: the United States and Great Britain promised to treat a German secession from the EDC as a threat to their own security and Germany agreed to refrain from

producing ABC and heavy weapons. Despite these reassurances, the EDC Treaty failed in the ratification process in the French parliament and hence never came into effect. While there were critics of the EDC Treaty in all parties, the strongest opposition came from the Gaullists, who believed that the creation of a European army and the supranational element of the EDC would result in a loss of French sovereignty, and the Socialists, who feared that a German army would threaten French security (Hitchcock 1998, 152-185).

Even before the EDC Treaty was formally rejected, it became clear that NATO would become the institutional framework for rearming Germany and integrating it into the Western security architecture. Because the French government believed that an outright rejection of West Germany's armament would either be ignored or even be punished by the U.S. (i.e., lead to a reduction in sorely needed American economic aid), Prime Minister Pierre Mendès France told Secretary of State John Foster Dulles that France was willing to give up its categorical opposition to West Germany's membership in NATO (Görtemaker 1999, 323). The British government, on the other hand, was strongly supportive of West Germany's NATO membership. In an August 19, 1954 memorandum Churchill noted that "[w]e must work out a good plan for bringing Germany into the N.A.T.O. front. It must be ready soon [...]. If France uses a veto we should make a new N.A.T.O. [...], if necessary without the French" (quoted in Steiniger 1989, 95).

The decision to integrate Germany into NATO was reached during the September 1954 Nine Power Conference in London. While the American and British governments strongly supported a West German NATO membership, Mendès France pointed out that the French government would only support Germany's admission into NATO and by

implication, its rearmament in return for security guarantees that would make Germany unable to exploit its gain in relative capabilities vis-à-vis France. As a result, the United States and Great Britain guaranteed to maintain troops in continental Europe and Adenauer promised that Germany would not produce ABC weapons, refrain from manufacturing several heavy weapons and to submit to arms inspections and monitoring by the Western European Union (WEU).

In October 1954, after France and Germany had settled on a solution to the Saar question, the Paris Accords were signed, which allowed for Germany's rearmament within NATO and the WEU in 1955. Furthermore, the Paris Accords restored almost complete sovereignty to West Germany, although the Allied Powers reserved special rights with respect to the stationing of allied troops on German soil and the handling of all-German issues, specifically German unification.

### **6.3 The French Perspective**

#### *6.3.1 France's fears of decline*

Among the Allied Powers, France was by far the most fearful of an eventual recuperation of Germany's relative capabilities. There are several reasons for this. First, unlike the other Allied Powers, France had been invaded by Germany three times in just 70 years - in 1870, 1914, and 1940. Second, also unlike the United States, Great Britain or the Soviet Union, France shared a border with Germany, which made it particularly vulnerable to German aggression (Kydd 2005, 177). Third, France was by far the weakest of the Allied Powers in terms of relative capabilities vis-à-vis Germany and hence much more sensitive to a shift in relative capabilities than the Big Three (Young 1990, 125-

126; see Geller and Singer 1998, 178 for a comparison of relative capabilities scores during that period).

Hence, as predicted by the theoretical model developed in this dissertation, the major goal of France's foreign policy in the first few post-war years was to stifle Germany's return to power in order to minimize the chance that Germany would once again be in a position where it could threaten or even attack France.<sup>1</sup> In order to achieve this goal, France issued a number of demands vis-à-vis the Big Three: the separation of the Rhineland which had served as a gateway for Germany's invasions; the economic (and less forcefully the political) annexation of the Rhineland and the Saar area; the internationalization of the Ruhr area with its rich coal mines and the war-relevant steel industry in order to help French reconstruction; the creation of a loose confederation of German sub-states; the relocation of the center of the European steel production from Germany to France; and finally, the extraction of German reparations and restitutions to help France's own recovery (Loth 1983; Poidevin 1983; Ziebura 1997, 55-73).

President Charles de Gaulle's efforts to achieve these goals were greeted with limited success at best. For instance, although the Big Three had already decided not to separate Germany into distinct sub-states in the spring of 1945 (Trachtenberg 1999, 20), France held on to the plan to formally dismember Germany. Similarly, France's decision to veto the establishment of a central administration for Germany, which Robert Schuman justified by explaining that "any plan which resulted in establishing and

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<sup>1</sup> According to Creswell and Trachtenberg (2003) as well as Hüser (1996), much of the historical scholarship overemphasizes French fears over Germany's revival and the degree of French obstructionism with respect to Germany's revival. For pointed critiques of the "revisionist" literature on French foreign policy see Lappenküper's (2001, 27-29) groundbreaking study on Franco-German relations as well as Sheetz (2003).



authorizing a central power would present to Germany a temptation and to us a permanent and growing threat” (quoted in Furniss 1960, 41) turned out to be futile: neither did it persuade the United States and Great Britain to refrain from setting up the Bizone, nor did it offer any bargaining leverage for France’s desire to permanently separate the Rhineland and the Ruhr from the rest of Germany (Hitchcock 1998, 50-52).

De Gaulle’s resignation in 1946 led to a gradual softening of French demands. Although Foreign Minister Georges Bidault officially held on to de Gaulle’s plans for Germany, he believed it unlikely that France would succeed in separating the Ruhr area and Rhineland from the rest of Germany. Furthermore, he signaled that France would be willing to agree to Germany’s economic unification in exchange for coal shipments from the Ruhr area (Loth 2004, 43). Nevertheless, the French government disapproved of the increasing Americans and British efforts to rebuild and stabilize West Germany: instead of joining the United States and the Great Britain in their fall 1946 negotiations for merging their occupation zones, France decided to erect a customs area around the Saar.

Events in 1947 pulled the French, who until then routinely tried to play off the Big Three against each other, further into alignment with the West. First, France decided to sign the Treaty of Dunkirk with Great Britain, which was explicitly designed to foster their collaboration “in measures of mutual assistance in the event of any renewal of German aggression” (Fursdon 1992, 215). Although the treaty slightly reduced France’s fear of a revived Germany, it had a costly externality for France: the Soviet Union viewed the Treaty of Dunkirk as the seed of a Western military alliance against the Soviet Union and, beginning with the Moscow CFM, refused to support France on its German policy in response (Young 1990, 142-146; Zieburra 1997, 60).

Second, desperately in need of financial support, France decided to join the Marshall Plan and with it, to accept a firmer integration into Western Europe. At the same time, however, the French government kept insisting that its own recovery must occur quicker than Germany's recuperation. The French government also demanded there should be an international authority to allocate the coal and steel produced in the Ruhr area and that this authority should be governed by France, the United States, Great Britain and the Benelux countries. However, the Americans and British rejected these demands and decided to increase Germany's industrial production levels although they promised to increase Ruhr coal deliveries to France (Young 1990, 160-161). Furthermore, in September 1947, the United States and Great Britain decided to establish not an international, but "a German Coal Management [...] in the hope that German miners will produce more coal if they are working under German direction" (*FRUS* 1947 II, 965).

The third development that drove the French into the arms of the Western community was the failure of the London Conference in December 1947. Conceived as a last-ditch effort to achieve four-power-cooperation on the German question, the London Conference remained deadlocked due to Soviet Foreign Minister Vyacheslav Molotov's insistence to create a central government and his rejection of French demands on the Saar issue (Hitchcock 1998, 69-70; Young 1990, 173). Due to the increasing Cold War tensions, the French government had already anticipated that the London Conference would be a failure and agreed with the United States and Great Britain to engage in three-power talks on the future of Germany. France started to realize that a German division and with it, the emergence of a West German state was inevitable, but feared that even a

divided Germany “would still be more powerful than France” (Young 1990, 169). On the other hand, by joining the Bizone, France would “have the means to make known our views on its organization” (quoted in Hitchcock 1998, 88) as René Massigli, the French Ambassador to Britain, pointed out.

During the Six Powers Conference between April and June 1948, which led to the London Recommendations, France emphasized that it would only agree to a trizonal fusion and the establishment of a West German state if the following demands were met: an American security guarantee for France, the maintenance of industrial production limits and reparations payments, a decentralized political structure and an internationalization of the Ruhr. Although the French government had to make significant concessions on a variety of issues due to American threats to reduce Marshall aid to France and to go ahead with German reconstruction anyway, they did achieve several key objectives: the adoption of the Occupation Statute, the creation of the International Authority for the Ruhr, the establishment of Military Security Board to supervise Germany’s demilitarization and a strong federal element in West Germany’s would-be constitution (Young 1990, 194-195; see also Trachtenberg 1999, 78).

Despite these concessions, the French parliament ratified the London Recommendations by a very narrow margin, and French fears over West Germany’s revival were by no means assuaged. In particular, during the implementation of the London Recommendations, the Ruhr issue remained highly problematic: just a few days before the three Western powers were scheduled to negotiate the details of the IAR, the Military Governors Lucius D. Clay and Brian Robertson issued the November 1948 Bizonal Law 75 which announced that “the eventual ownership of the Coal and Iron and

Steel Industries should be left to the determination of a representative, freely elected German government” (Von Oppen 1950, 335). Fearing the loss of international control over the Ruhr mines and industry, the French government promptly sent a formal complaint to the American and British foreign ministers (Young 1990, 207). While Great Britain and the United States tried to mollify France’s outrage by offering them to participate in the Ruhr industry’s coal and steel Essen groups, they remained committed to return the ownership of Ruhr mines and production facilities back to the Germans (Hitchcock 1998, 106-107).

The Ruhr situation remained highly unsatisfactory for the French government. First and most importantly, the IAR turned out to be a weak tool for controlling the economic activities in the Ruhr. Not only did the IAR fail in providing France with any leverage for obtaining cheap coal for its domestic industry, it also did not help reduce the Ruhr industries’ competitive advantage, which was based, among other things, on a high degree of vertical integration, a collective economy, double prices and freight rates (Krüger 2003, 174). In a memo to the German Chancellery, Hans-Günther Sohl, the director of the *Vereinigte Stahlwerke* tellingly pointed out that the IAR did “not noticeably interfere with economic activities” (quoted in Möller und Hildebrand 1997a, 633). German steel production grew at a remarkable speed in 1949, surpassed French production levels in June and even seemed to exceed the Allied production levels of 11.1 million tons in 1950 (Kipping 1996, 114). The Central European Office at the *Quai d’Orsay* foresaw this development in October 1948 and pointed out that the Anglo-American policy of Germany’s economic construction “poses a threat to France all the more grave in that, given our internal situation, it is difficult for us to compete at equal

strength with Germany on the economic plane. She already produces as nearly much steel as we do, and soon she will produce more [...] We must, by all means possible, try to dam up this flood which threatens to carry everything away” (quoted in Hitchcock 1998, 104).

Second, there were fears in the French government that the United States and Great Britain would sooner or later want to lift the Ruhr Statute and perhaps even eliminate the IAR. These fears were not unfounded as the American and British governments had already announced in November 1948 that they would reconsider the Ruhr Statute as soon as a peace treaty with Germany would be signed (Young 1990, 208). These fears were amplified in May 1950, when the American and British governments pushed France to agree to increase the German steel quotas during the Foreign Ministers’ conference (Küsters 1988, 74).

In sum, France pursued an obstructionist policy regarding the German question in the first few years after World War II in order to limit or at least delay West Germany’s political and economic recuperation. While France’s policy was not entirely unsuccessful, the United States and Great Britain made significant progress in their efforts to rebuild and strengthen West Germany, both politically and economically. While France could have pursued a more aggressive anti-German policy to prevent its revitalization, it would have been associated with significant costs, particularly due to France’s dependence on American support for its own recovery. As Wall (1991) notes, France’s “[s]ecurity needs dictated the pursuit of policies designed to obtain the political disunity of Germany and its future economic weakness vis-à-vis a restored France. French economic realities – the severe dislocation, disruption, and absolute deprivation caused by the war – dictated a

policy of dependence on the United States [...] the price of American assistance soon revealed itself to be French acquiescence in the reconstruction of Germany” (35).

### 6.3.2 *France reassured I: the European Coal and Steel Community*

As the French government started to realize that Germany could not be held “indefinitely in a position of inferiority” (quoted in Hitchcock 1998, 123), the notion that Germany’s economic recuperation could perhaps be controlled and even harnessed through integration rather than dominance started to gain wider currency. For instance, when Lewis Douglas, the American ambassador to London expressed his hopes that in the future “Western Europe and Western Germany would effectively be integrated” (*FRUS* 1948 II, 99) through a regime that covered the Ruhr as well as “similar industrial regions of Western Europe” (99), René Massigli, the French Ambassador in London replied that this proposal “merited serious consideration” (100). In a similar vein, when Jean Monnet visited the United States in 1948 on behalf of the French government, he argued that in order to modernize and increase the productivity in Europe, a federal solution was necessary (Krüger 2003, 175).

The idea of “integrating Franco-German coal and steel resources in joint companies under the control of a public authority” was further spelled out in a November 1948 French Office of European Affairs paper which noted that such a move would allow France to remain “in the control of this [German] reconstruction” (quoted in Sheetz 2002, 81-82). A December 1948 *Quai d’Orsay* memorandum expressed similar thoughts: by ceding part of French sovereignty to a common “European steel pool” (quoted in

Hitchcock 1998, 110) it would be possible to “associate us with our ancient enemy through contractual bonds that would bind us as they would bind her” (quoted in Hitchcock 1998, 110). Interestingly, it was also explicitly pointed out that time was working against France because by waiting any longer, French officials feared that “we risk seeing the balance of forces move against us” (quoted in Hitchcock 1998, 123). These ideas were also echoed in an April 1950 memorandum by François Seydoux, Chief of the European Office at the *Quai d’Orsay*, who argued that a “supranational authority” (quoted in Hitchcock 1998, 123) would allow France to “impose its decisions upon West Europe” (123). Seydoux further noted that Germany’s integration into Europe would insure that “Germany would not recover her complete independence. From her present régime of trusteeship would follow without transition another régime under which other limitations would restrain her liberty” (quoted in Hitchcock 1998, 123).

The strongest and most persuasive proponent of the idea to pool French and German coal and steel resources and to administer them jointly in a supranational entity was Jean Monnet, who started working on the foundations of the Schuman Plan in April 1950. According to Schuman’s official declaration, the core idea of the plan was “that Franco-German production of coal and steel as a whole be placed under a common High Authority, within the framework of an organization open to participation of the other countries of Europe” (quoted in Salmon and Nicoll 1997, 44). While the Schuman Plan also included important provisions for the liberalization of the steel and coal markets, the French leadership primarily viewed it as a tool to blunt Germany’s rapid economic recovery. In a May 1950 memorandum to Schuman and Bidault, Monnet highlighted that Germany could produce steel “at a price with which France can barely compete” (quoted

in Salmon and Nicoll 1997, 42) and that the integration of the coal and steel markets places the French “national industry at the same starting point as German industry, eliminates the export dumping [...] and gives the French steel industry its share of European expansion” (quoted in Salmon and Nicoll 1997, 43).

That France intended to use the European Coal and Steel Community as a tool to both constrain and exploit Germany’s economic revival was also made clear by Schuman during a *Mouvement Républicain Populaire* (MRP) meeting in mid-June. “The aim of the system” (quoted in Hitchcock 1998, 132) Schuman declared, “is to make Germany work with us, and thus control her much more directly, and to incorporate her progressively into Europe” (132). Interestingly, Schumann also tried to downplay the notion that his plan represented a paradigm shift in French policy towards Germany. “There has not been any new orientation of our foreign policy. The methods are perhaps new, but the direction is unchanged [...] The aim of the plan of May 9 is to solve the political problem through economic means. Without this settlement, Germany will grow more unsettling every day” (quoted in Hitchcock 1998, 132).

In his 1950 declaration Schuman also pointed out that the pooling of the European coal and steel production had direct security implications in that “it will change the destinies of those regions which have long been devoted to the manufacture of munitions of war” (quoted in Salmon and Nicoll 1997, 44) by creating a “solidarity in production” which makes war between Germany and France “not merely unthinkable, but materially impossible” (44). Schuman further explained his thinking on the security externalities of the European Coal and Steel Community several years later as follows: “The creation of a permanent and monitored union for coal and steel indeed meant that none of the



participating countries would be able wage a war against the others or even prepare for it; because as soon as one cannot freely decide over energy and steel, which are foundations for any belligerent behavior, it is impossible to wage war” (Monnet 1963, 178). Hence, France considered the Schuman Plan, which provided the foundation for European Coal and Steel Community, not only as an economic vehicle, but also as tool to constrain Germany’s ability to use the Ruhr’s coal and steel resources to rebuild its military capabilities.

Chancellor Adenauer responded positively to Schuman’s proposal (Görtemaker 1999, 293). The formal negotiations for the ECSC were concluded the spring of 1951 and the treaty entered into force in July 1952. In an April 24, 1952 letter to Adenauer, Schumann noted that he viewed the conclusions of the ECSC negotiations “as a milestone for the political development of Western Europe and especially for the relations of our two countries” (quoted in Möller and Hildebrand 1997b, 252). He also noted that “without neglecting the challenges that lie ahead”, the ECSC “certainly gives rise to a new sense of trust” (quoted in Möller and Hildebrand 1997b, 252).

Although the proposal to create the ECSC came from France, it followed the logic of the security-related tying-hands reassurance equilibria laid out in chapters 4 and 5: by agreeing to join the ECSC, Germany effectively constrained its ability to exploit the Ruhr’s coal and steel resources to rebuild its military capabilities. Germany’s willingness to limit its commitment problem in turn decreased France’s fear of Germany’s economic and political recuperation and with it, France’s incentive to maintain its obstructionist policies.

It should be noted that this interpretation of the key function of the ECSC is widely shared in the secondary literature on Franco-German relations and European integration. Lappenküper (2005), for instance, concludes that the ECSC constituted a “multifunctional vehicle for attaining national objectives” (73) by allowing France to “sidetrack Germany’s demands for sovereignty and rearmament” (73) on the one hand and giving Germany “political bargaining leverage” (73) on the other. Haftendorn (2006) agrees with this characterization by pointing out that for France the “major objective” (20) of the ECSC was to “imbed German heavy industry in a European framework so that the Federal Republic could not exploit its economic power militarily” (20-21). Likewise, Ikenberry (2007) claims that the “German willingness to tie itself to its neighbors allayed fears within Europe of a resurgence of German militarism and aggression” (54) and that the ECSC constituted “the earliest attempt” (54) of the “strategy of binding Germany to Europe” (54).

Recall that the theoretical model developed in chapters 4 and 5 suggests that Germany’s readiness to limit its gain in relative capabilities vis-à-vis France by joining the ECSC was instrumental for France’s willingness to find a cooperative settlement with Germany. Hence, the theoretical model suggests that if Germany had refrained from issuing such a security-related tying-hands signal of reassurance, France would have tried to maintain its obstructionist policy. Counterfactual speculation on the basis of the preceding analysis supports this prediction: it seems highly unlikely that France would have simply agreed to end the Ruhr Statute, abolish the IAR and remove the production limits on coal and steel in 1952. Instead, France would have probably tried to maintain the status quo over the Ruhr area and cede control only in return for economic

compensation and/or security guarantees from United States and Great Britain. Recall that the critical impetus for the French government to devise and present the Schuman plan in the first place came from the United States. Furthermore, it seems that a German refusal to join the ECSC would have seriously damaged Franco-German relations down the road since the ECSC provided the model for Franco-German security cooperation to which we turn next.

### *6.3.3 France reassured II: the European Defense Community*

While the ECSC negotiations were still underway, the French government was confronted with another, arguably even more urgent security concern than West Germany's rapid economic recovery: German rearmament. As pointed out above, in the summer of 1950, the Americans had firmly decided to rearm Germany and raised this issue at the September 14 CFM meeting in New York as well as in the September 16 NATO Council meeting. According to Defense Minister Jules Moch, Acheson's proposal to rearm West Germany deeply upset the French leadership (Large 1996, 85): barely six months earlier Schuman had flatly rejected West Germany's rearmament by telling the French National Assembly that "Germany has no army and she must have none. She has no arms and she will not have any" (quoted in Sheetz 2003, 42).

However, at the New York CFM Schuman admitted that "it would seem illogical for us to defend Western Europe, including Germany, without contributions from Germany" (*FRUS* 1950 III, 1250). During a meeting of the North Atlantic Council just a few days later, Schumann clarified what he actually had in mind. Schumann noted that it

may be “possible that Germany will some day join [the] defense force” (*FRUS* 1950 III, 312-313), but only if France could be certain that the “German contribution will enhance, not endanger security” (313). Until then, Germany should at most contribute to European defense “by [an] increase in police, providing steel and materials, strengthening labor units, and building [a] fortified defense line in Germany” (*FRUS* 1950 III, 312). Secretary of State Dean Acheson tried to loosen Schuman’s position by offering to supply an American NATO commander and send additional American divisions to Europe if France agreed to Germany’s rearmament within an integrated force, but Schuman rejected (Trachtenberg 1999, 108).

Despite Schuman’s rejection of Acheson’s package deal, the French government knew that it could not avert Germany’s rearmament without risking reprisal from the United States. In a September 17 cable Acheson instructed David Bruce, the U.S. Ambassador to Paris, to impress on the French officials “the extreme gravity with which continued French unwillingness to concur in [this] decision [...] will be viewed in official, Congressional and public opinion here” (*FRUS* 1950 II, 315). Furthermore, in an October 1950 memorandum, Roland de Margerie, Deputy Director for Political Affairs at the *Quai d’Orsay*, pointed out that France could not afford to blatantly obstruct Germany’s rearmament without jeopardizing sorely needed U.S. military aid. As a result, he claimed it was necessary for France to take the initiative and “assure herself of the greatest possible degree of control over the execution of rearmament” (quoted in Hitchcock 1998, 142). Jean Monnet took the lead in formulating a plan of how Germany could be rearmed without offsetting the balance of power between France and Germany too much. Monnet’s core idea - which provided the backbone of the Pleven Plan - was to

enlarge the Schuman Plan by creating a European army “united in command, in its organization, its equipment and its financing, and placed under the direction of a single supranational authority” (Monnet and Schuman 1986, 61-63).

On October 24, French Prime Minister René Pleven presented his plan to establish a European army and European defense ministry to the public. According to the Pleven Plan, “German troops were to be recruited and armed not by the Bonn government but by a supranational authority. They would be welded into a highly integrated European army that would take its place alongside regular NATO national armies under the direct control of the NATO commander” (Trachtenberg 1999, 110). Importantly, the Pleven Plan also stressed that the national contingents were to be organized “at the level of the smallest possible Unit” (quoted in Hanhimäki and Westad 2004, 317) and that the necessary political institutions (including a European defense minister and a European parliament) had to be established before any troops would be assembled. Furthermore, the plan proposed that unlike other European member states, “Bonn would have no defense ministry and general staff and would have to place all its troops under European command” (Large 1996, 93). Moreover, Bonn would not be allowed to establish any air or naval forces.

Particularly due to the latter restrictions, the Pleven Plan was received poorly outside France, especially in the United States. As Acheson pointed out, the “unsound” (*FRUS* 1950 III, 395) French proposal was designed to postpone German rearmament “for many months” (395) and to give Germany “permanently second class status” (412). In order to move things ahead, the Americans suggested the Spofford compromise to raise and place small German combat teams in an integrated force under a supreme

NATO commander before the European political institutions described in the Pleven Plan were built (Hitchcock 1998, 146). After what Loth (1977) calls “the most dramatic foreign policy debate in the history of the French Republic” (288), the French parliament agreed to the Spofford compromise.

The negotiations on German rearmament were based on two tracks: while West Germany’s contribution to NATO was negotiated on the Petersberg hill near Bonn, the negotiations for the establishment of the European army, which would eventually lead to the EDC Treaty, were held in Paris. The Petersberg negotiations quickly became deadlocked and eventually failed because Germany rejected the provisions of the Spofford compromise as too discriminatory, while the French held on to them (Hitchcock 1998, 154-155). Consequently, the Paris talks became main arena for negotiating West Germany’s rearmament. After long and difficult talks and increasing pressure by the Americans to find a framework for Germany’s rearmament, France and Germany eventually signed the European Defense Community Treaty. The grand bargain of the EDC Treaty was that West Germany agreed to forgo the production of ABC and heavy weapons as well as a direct NATO membership in return for obtaining a portfolio of quasi-sovereign rights that were codified in the so-called General Treaty.

Even though the EDC Treaty failed the ratification process in the French National Assembly due to a shift in domestic political majorities (see Hitchcock 1998, 169-202 and Large 1996, 205-215 for details), it seems safe to conclude that Germany’s decision to forego ABC weapons and a membership in NATO was intended to put a limit on its gain in relative capabilities. As such, these actions follow the logic of security-related tying-hands signals of reassurance. Furthermore, there is ample evidence that France

conceived of these actions in terms of reassuring gestures. Specifically, with respect to Germany's restraints on the production of weapons, Armand Bérard, the French Deputy High Commissioner, told Walter Hallstein, State Secretary of the West German Office of Foreign Affairs, in January 1952 "that Mister Blank made a very good impression during the Petersberg negotiations when he voluntarily explained that Germany will only participate in the production of weapons if it is explicitly asked by France to do so" (*Auswärtiges Amt* 1989, 13; cited as *AA* hereafter). Bérard continued that it would be useful if there were a similar "offer coming from Germany, which could then be accepted by the Allied Powers" (*AA* 1989, 13) during the next Allied High Command (AHC) meeting. In the same month, the French High Commissioner André François-Poncet framed his request for German constraints on the production of weapons in terms of a welcome German "gesture of reconciliation" (*AA* 1989, 13) towards France. Adenauer fulfilled this request by formally submitting a letter to the EDC members which noted that the "Federal Government will not consider it a case of discrimination that the European Defense Commissariat in issuing licenses for the production of such armaments as are enumerated in List 2 of the Treaty will not place any order with plants in the Federal Republic except in conformity with a general instruction of the Council of Ministers" (*FRUS* 1952-1954 V Part 1, 104).

The interpretation that Germany's acceptance of the provisions of the EDC was a security-related tying-hands signal to ease French fears of Germany's remilitarization is also shared in the secondary literature on France-German relations. Hitchcock, for instance, notes that the EDC was intended "to bring West German military potential into the East-West equation without recreating a West German army" (2003, 31). However,

he also points out that “it would also have ‘communitarianized’ a good bit the French army – an outcome that was simply not acceptable to the French public” (Hitchcock, 2003, 31). Ikenberry (2007) argues that the EDC was “proposed to insure that German rearmament took place within a European national framework thereby making it less destabilizing or threatening to neighboring states” (55). Large (1996) concurs by pointing out that the EDC initiative “arose from French efforts to ensure that if Bonn *was* allowed to field armed forces, they would be tightly controlled through their integration in a common ‘European army’ format” (4).

#### *6.3.4 France reassured III: the NATO/WEU solution*

Since the Dulles had publicly warned the French government that the United States would engage in an “agonising reappraisal” (*FRUS* 1952-54 V Part 1, 463) of its commitment to continental Europe if the French let the EDC Treaty fail, Mendès France was under immense pressure to offer a constructive alternative. Even before the EDC Treaty was rejected, Mendès France proposed to rearm Germany within a simpler, intergovernmental framework and bring in Britain to serve as a counterweight. More specifically, Mendès France suggested to modify the Brussels Pact by equipping it with substantial powers to monitor arms production and procurement, so that Germany’s rearmament could proceed in a controlled and limited fashion. The new Brussels Pact could then be placed under the umbrella of NATO (Sheetz 2003, 44-45). At the September 1954 Nine-Powers Conference in London, the French government maintained this position, and threatened to veto Germany’s admission to NATO if French demands



on the modalities of Germany's rearmament were not met. Similarly, in 1953, the French government had threatened that if Germany were admitted into NATO with her own army, France "would destroy the effectiveness of any German national army by being so strongly in opposition that in practical effect the lines of communication between Germany and the Atlantic alliance would be broken" (cited in Trachtenberg 1999, 123-124). Furthermore, Mendès France pointed out that he needed a solution on the Saar issue if the French were to agree to Germany's rearmament (Görtemaker 1999, 324).

Two concessions were instrumental in obtaining France's agreement to the basic tenets of the Paris Accords, which lifted almost all of the provisions of the Occupation Statue and allowed for West Germany's admission to NATO as well as its controlled rearmament within the Western European Union (WEU). First, Eden announced that Great Britain was willing to maintain four divisions and a tactical air force in continental Europe as long as members of the Brussels Treaty desired them to do so – which, according to the historical record, prompted René Massigli to exclaim in delight that France had been waiting "fifty years for such an announcement!" (quoted in Nutting 1960, 47).

The second gesture to mollify France's security concerns came from Adenauer. One critical issue at the end of the London conference concerned how to handle the two or three years it would take to build an effective armament control system while Germany would start assembling its 12 divisions (Thoß 1993, 43-44). Two main solutions for this problem were discussed. Dulles suggested a two-year moratorium on the production of ABC weapons for Germany, while the Belgian Foreign Minister Paul-Henri Spaak proposed to prohibit the production of ABC-weapons in certain "strategically sensitive

areas.” Although Mendès France agreed with Spaak’s proposal, but the two could not agree on how to define “strategically sensitive areas” (Küsters 1994, 527-530). In order to break the impasse, Adenauer announced that the Federal Republic of Germany would forgo the production of ABC weapons as well as the production of guided missiles, strategic bombers and heavy warships and artillery altogether. Unlike during the EDC negotiations where Adenauer had made similar commitment, Adenauer noted that he would renounce the production of these weapons “quite voluntarily” (quoted in Küsters 1994, 530) and “not due to reasons of strategic exposure” (quoted in Küsters 1994, 530).<sup>2</sup>

According to Lappenküper (2008), the pertinent historical “scholarship concurrently grants to Adenauer that his relinquishment of ABC weapons led to the breakthrough in the London negotiations” (74). Allegedly, Spaak was so impressed by Adenauer’s concession that he took Adenauer’s aide Count von Kielmansegg aside and said: “Tell your chancellor, he is a greater European than I!” (quoted in Fursdon 1980, 331). The telegraphic summary of the U.S. delegation to the London conference chose a more sober wording to describe the impact of Adenauer’s gesture by noting that “[i]ssues finally resolved by offer of Chancellor [...] that Germany would not produce atomic, chemical or biological weapons” (*FRUS* 1952-54 V Part 2, 1325). In an October 7, 1950 circular to French Embassies, Mendès France also praised Adenauer’s “moderation” (quoted in Lappenküper 2001, 789) and noted that the creation of the WEU, the British

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<sup>2</sup> In his personal accounts of the Nine-Power Conference, Adenauer (1966) claims that after he had declared West Germany’s renunciation of ABC weapons “Dulles stood up from the conference table [...] and said: ‘Mister Adenauer, [...] you have certainly made this declaration – like all such international declarations – only *rebus sic stantibus*’” and he replied “‘You have interpreted my declaration correctly!’ The other participants remained silent” (347). However, as Küsters (1994, 531-535) points out, the “*rebus sic stantibus*” qualification is neither recorded in any of the negotiation protocols nor recalled by any of the other conference participants. The German historical scholarship generally agrees that Adenauer’s personal account of the Nine-Powers Conference is incorrect in this respect (see also Lappenküper 2001, 74).

security guarantee and Germany's self-restraints provided effective safeguards against future German escapades (789).

While Adenauer's renouncement of producing ABC weapons is the most famous signal of reassurance towards France, it was not the only one. West Germany's willingness to agree to NATO/WEU solution as a whole can be seen as security-related tying-hands signals of reassurance because it stipulated that the number of German troops would not exceed twelve divisions and that the German General Staff would be unable to act independently of NATO. According to Hitchcock (1998), "most important from France's point of view, the Brussels Treaty organization would create an agency to oversee arms production and procurement for the member states, able to restrict the growth of an independent German arms industry" (199).

Furthermore, the West German government also issued audience cost-based signals of reassurance by formally promising that it would "refrain from any action inconsistent with the strictly defensive character" of the NATO and WEU treaties, and would never "recourse to force to achieve the reunification of Germany or the modification of the present boundaries" (*FRUS* 1952-1952 V Part 2, 1352-1353). Whether these audience cost-based signals were decisive is unclear. According to Trachtenberg (1999), the Western allies' fear that West Germany "might be tempted to make a deal with Russia providing for reunification on the condition that Germany cut her ties with the West" (126) persisted and motivated them to retain rights regarding all-German matters and the stationing of troops on German soil.

About one month after the ground-breaking Nine-Powers Conference, Adenauer and Mendès France also reached a compromise on the Saar issue: in return for Mendès

France's promise not to take further steps to annex the Saar area, Adenauer agreed to hold a referendum over the Saar Statute. With the Saar compromise in hand, the French government finally agreed to sign the Paris Accords on October 23, 1954 (Görtemaker 1999, 320-328).

In sum, it seems fair to conclude that Adenauer's abdication of ABC weapons as well as Germany's willingness to accept additional military constraints in the NATO/WEU framework played a critical role for France's decision to agree to Germany's rearmament because these actions put a limit on Germany's potential gain in relative capabilities vis-à-vis France and reduced Germany's commitment problem. According to the logic of the theoretical model, France's willingness to accept Germany's rearmament would have been much lower if Germany had not agreed to these constraints. The preceding analysis strongly supports this line of reasoning since the French government threatened to veto Germany's accession to NATO if French security concerns remained unaddressed. One can only speculate on France's likely behavior if Germany had failed to engage in a strategy of reassurance, but it seems probable that France would have asked for additional security guarantees from the United States and Great Britain. Furthermore, it is conceivable that France would have tried to avert Germany's rearmament if such security guarantees had not been granted. Whether France would have prevailed or not, seems to be largely contingent on the American willingness to enforce Germany's rearmament against the wishes of France.

## 6.4 The German perspective

### 6.4.1 Germany's assessment of France's fears

The West German government, led by Chancellor Konrad Adenauer, pursued one overriding operational foreign policy goal in the first postwar years: *Westbindung*, the integration of the Federal Republic of Germany into the Western community of states. Through *Westbindung*, especially by establishing close ties with the United States, Adenauer did not only want to obtain security from the Soviet threat, but also rebuild and rehabilitate Germany's international status to eventually accomplish Germany's unification from a position of strength. For Adenauer, it was clear that it would take a long time to obtain the latter goal. In a fall 1945 letter to a befriended German mayor Adenauer wrote that "Russia is increasingly withdrawing from cooperating with the other major powers" (Adenauer 1965, 39) and that the "division of Eastern Europe, the Russian sphere, and Western Europe is a fact" (Adenauer 1965, 39).

Rapprochement with France constituted an integral component of the Federal Republic's strategy of Western integration. It is no coincidence that in his first official government declaration in September 1949, Adenauer pointed out that one of West Germany's major goals was to put an end to the "German-French antagonism that has dominated European politics for hundreds of years and has led to wars, destruction, and bloodshed" (*Deutscher Bundestag* 1949, 22-30; cited as *DB* hereafter).

Adenauer specified his views on Franco-German relations in a November 3, 1949 interview with the Germany weekly *Die Zeit*. Adenauer emphasized that Germany "must,

first of all, neither flatly deny or trivialize the security question” (Die Zeit 1949) between Germany and France and continued that

It is irrelevant whether we actually are dangerous; what matters is whether France considers us harmless [...] Whether the current French need for security seems outdated to us, whether it really is outdated, that is not the point. Even if France is wrong, its desire for security is psychologically present and is therefore a political reality that we have to take into consideration. It is therefore wise for us to accept concepts of security that we consider superfluous, as long as they do not seriously threaten our existence. There is no need for us to suspect a source of humiliation in everything. The less we do this, the less our reactions show excessive national sensitivity, the sooner France will agree not to exaggerate its own demands. (Die Zeit 1949)

The same line of reasoning was laid out in a March 1952 internal foreign policy directive that was sent to all German diplomatic missions. This directive pointed out that West Germany’s “*entire* foreign policy is based on a *positive* policy towards France” (quoted in Möller und Hildebrand 1997b, 130; original emphasis) and that “within the hierarchy of German interests [...] a positive policy towards France is a top priority. This means that we are willing to make sacrifices in our relations with France” (132). With respect to security policy, it pointed out that the “principle of a positive policy towards France” (132) has to “to be demonstrated in the implementation [...] of the Pleven Plan” (132) and by efforts to propose “practical solutions” (132) to address “French fears of Germany’s returning military power” (132).

Hence, in line with the prediction of the theoretical model, there is ample evidence that the West German government was quite aware of France’s fear of

Germany's political, economic and military recuperation and knew that it had to mollify France's fears in order to persuade France to scale down its obstructionist policies. Differently put, there are good reasons to believe that if France had applied less pressure, the German government would have pursued a more self-confident foreign policy. For instance, it seems plausible to believe that Germany would have tried to obtain full sovereignty over the Ruhr area and would have attempted to obtain the permission to rearm without imposing significant military constraints on itself.

#### *6.4.2 Reassuring France I: the European Coal and Steel Community*

Although Adenauer clearly saw the need to pursue a policy of restraint vis-à-vis France in order to achieve Germany's reconstruction and rehabilitation, his willingness to make concessions to France was not unlimited -- which lends credence to the theoretical model's assertion that rising states should rarely reassure declining state more than necessary. In particular, French demands for reparations, the industrial dismantling practices in the Ruhr as well as French attempts to effectively annex the Saar area were seen as excessive measures by the West German government (Lappenküper 2001, 316-497; Görtemaker 1999, 271-289).

For Adenauer, Schuman's 1950 proposal to merge and jointly administer the European coal and steel resources promised more satisfying outcomes on all of these issues. Hence, it is hardly surprising that Adenauer "whole-heartedly agreed" (Adenauer 1965, 328) to the Schuman plan. In his written reply to Schuman, Adenauer wrote that the Schuman Plan gave him "great joy" because it promised to give "new impetus" to

Franco-German relations, which were “on the verge of being frozen in mistrust and reservations” (Adenauer 1985, 208-209). Specifically, Adenauer believed that creating a supranational authority to run the coal and steel industries would lead to a weakening and eventual abolition of the Ruhr Authority and the Military Security Board, help bring an end to the Occupation Statute and move Germany closer to sovereignty by allowing the West Germans to represent themselves at an international conference for the first time (Lohse 1995). Not coincidentally, in his letter to Schuman, Adenauer noted the Schuman Plan offered the great opportunity to “work on a common project on an *equal footing*” (Adenauer 1985, 209; own emphasis).

Of course, Adenauer knew that the Schuman Plan was not a gift to the Germans, but associated with significant demands and constraints. First and foremost, the Schuman Plan meant that West Germany would not regain complete sovereignty over its coal and steel sectors but would have to cede parts of it to the High Authority. However, as Haftendorn (2001) points out, the net effect of this decision was positive because due to West Germany’s fragile legal status this specific “loss of sovereignty” led to a “gain in sovereignty” (436) overall.

Furthermore, there were concerns within the West German government that the Schuman Plan would entail - at least in the short term - significant economic costs. For instance, the German Minister for the Marshall Plan argued that the Schuman Plan was designed to permanently freeze the German steel quota in order to secure French competitive advantages (Lappenküper 2001, 249). Similarly, in a cabinet meeting, Adenauer admitted that there would be domestic “reservations and resistance” (quoted in Bühner 1993, 56) with respect to the economic provisions of the Schuman Plan, but



claimed that its “political dimension” (56) had to “take priority” (56). And indeed, West Germany did make several economic sacrifices once the ECSC was in effect. As Gillingham (1991) lays out, “the Germans subsidized the Belgian mines directly, bore the expense of importing American coal, sold fuel at below market prices to the rest of the Six, exported scrap to the community instead of hoarding it, and uncomplainingly shared domestic markets with foreign sellers” (371).

With respect to the economic dimension of the ECSC, the highest price the West Germans had to pay was giving in to the French decartelization and deconcentration plans for the Ruhr industries. In the fall of 1950, the French government asked for the “immediate breakup of the six largest Konzerne, a cut in the ties between the coal and steel industries, and the organization of no less than fifty-four separate mining companies” (Gillingham 1991, 257). Aware of the coal and steel sectors’ strong opposition to these plans, Adenauer vehemently rejected these plans and even threatened to break off the negotiations. Monnet, with the support of the Americans, responded in kind and indicated that the Germans could “be faced with deconcentration measures much harsher than the ones under discussion” (Griffith 1988, 65). Impressed by the threat, Adenauer “forced the Ruhr leadership to knuckle under” (Gillingham 2000, 205). Furthermore, Adenauer agreed to the eliminate the *Deutsche Kohlenverein* (DKV) which was the Ruhr industry’s central clearinghouse for the sale of coal (Lappenküper 2001, 263), establish new steel companies to reduce the degree of market concentration and to limit steel firms’ ownership of coal mines as well as future mergers and acquisitions in these industries (Schwabe 1988, 238).

Hence, the German government made significant concessions in order to bring the ECSC negotiations to a successful conclusion. Adenauer's concessions did not only evoke the Ruhr industries' opposition, but also severe criticism from the SPD, albeit in the opposite direction. For Kurt Schumacher, the opposition leader in the Bundestag, the ECSC was troublesome pact of "clerical, conservative and the cartel groups" (Schumacher 1988, 805). He also criticized that West Germany's partial transfer of sovereignty to the High Commission would make Germany's unification impossible (Klotzbach 1988, 341). Similarly, in a later parliamentary debate, Thomas Dehler of the liberal Free Democratic Party (FDP) claimed that everybody knew that the French agreement of the ECSC was "not only due to European enthusiasm" (*DB* 1954, 3158) but also "driven by the desire to maintain control over the Rhein and Ruhr's coal, iron and steel" (3158).

Although the Adenauer administration had to expend political capital and hence incurred opportunity costs for overcoming the domestic opposition to the ECSC and get it ratified in the Bundestag, the net utility of joining the ECSC was positive, as it constituted a valuable tool for West Germany to obtain a limited amount of sovereignty. However, Adenauer also noted that ECSC marked a "new chapter in European history" (*Politisches Archiv* 1951) and claimed that the merging of the coal and steel industries would make war "not unthinkable, but also materially impossible" (*Politisches Archiv* 1951). Hence, for Adenauer joining the ECSC followed the logic of a security-related tying-hands signal as it reduced Germany's war-waging potential and with it, its temptation to engage in a revisionist policy against France in the future.

### 6.4.3 *Reassuring France II: the European Defense Community*

Adenauer's position on Germany's rearmament was an ambivalent one. Although Adenauer knew that there was strong domestic opposition against rearmament, he was also aware of and very concerned with West Germany's vulnerability against a potential Soviet aggression (Adenauer 1965, 382-388; Görtemaker 1999, 269-280; Large 1996, 2-3). In December 1948, Adenauer asked Hans Speidel, a former general and military expert, to report on the strategic situation of West Germany. Speidel came to the conclusion that with the current weakness of France, Great Britain and the Benelux countries, neither the Rhine nor the Elbe could be defended. He further noted that in order to defend West Germany, both American and German forces would be necessary and suggested that the latter ought to be raised within a European framework (Large 1996, 49).

After the outbreak of the Korean War, Adenauer pushed more forcefully for a security guarantee from the Western powers and asked them for permission to set up a federal "police force" of about 100,000 men. When John J. McCloy, the U.S. High Commissioner for Germany, asked Adenauer to detail his thoughts on a potential German defensive contribution in the summer of 1950, Adenauer prepared two memoranda (Görtemaker 1999, 297-298). In the first memorandum, Adenauer iterated his requests for a strengthening of the allied troops stationed in West Germany and the permission to create a German federal police force, but also offered to contribute a "German contingent in case an international West European army were to be established" (quoted in Schubert 1977, 79). However, he was also quick to point out that he rejected "Germany's

remilitarization through the establishment of a *national* military force” (quoted in Schubert 1977, 83; own emphasis). In the second memorandum, Adenauer pointed out that it was necessary to give the German people the necessary “discretionary freedom and responsibility” (quoted in Schubert 1977, 83) for making a defense contribution. More specifically, Adenauer asked for the formal termination of the state of war, the transformation of the occupation forces into security forces and the elimination of the Occupation Statute (Görtemaker 1999, 298; Schwarz 1981, 116).

When the French proposed the Pleven Plan as the framework for German rearmament in October 1950, Adenauer was highly disappointed. For Adenauer, the Pleven Plan in general and its provision to integrate German forces on the battalion level in particular was highly discriminatory. Moreover, the Pleven Plan rejected Adenauer’s goal of West Germany’s membership in NATO and instead suggested to merely associate the European Army with NATO through a contract link. Adenauer was also critical of the Spofford compromise “because it did not assure political equality for Germany or guarantee a reevaluation of the Occupation Statute” (Hitchcock 1998, 146).

Despite his disappointment, Adenauer was careful not to appear too critical of the Pleven Plan in public. In a November 9, 1950 governmental address in the Bundestag, Adenauer lauded the Pleven Plan as “a valuable contribution to European integration” (quoted in Küsters and Hoffmann 1997, 420), but also pointed out that the “current international tension” (420) required a faster response “than is possible through the Pleven Plan” (420). Furthermore, Adenauer noted that if West Germany were to make a contribution it would be necessary for Germany to enjoy “complete equality with the

other participating countries in the defense forces” (420) and to acquire sufficient capabilities to “make any Russian aggression impossible” (420).

Germany’s insistence to be treated as a participant with equal rights and equal status at the EDC negotiations bore fruit. Among other things, the French rescinded their opposition to the creation of a German defense ministry, the recruitment of soldiers by German agencies and the integration of military units on the division level (Lappenküper 2001, 636). Importantly, the West German government also succeeded in getting approval for including Article 6, which stated that the EDC Treaty “does not involve any discrimination among the member States” (168). However, the German government did have to make two critical concessions in return. First, the West German government had to agree that it would not produce any of the weapons enumerated in Annex II to Article 107, which included ABC weapons as well as military aircraft, long-range missiles, guided missiles, influence mines, naval vessels other than minor defensive craft. Second, due to France’s strong opposition, the Germans had to give up their demand to join NATO, and with it, to obtain a direct voice in its decision-making bodies (Schwengler 1997, 386-457).

The negotiations on the General Treaty also required significant concessions by the West German government. Although Adenauer had hoped that the General Treaty would result in full sovereignty for Germany, the Allied Powers did not intend to cede their supreme authority. Notably, the General Treaty, which was signed on May 26, 1952, did not contain the term “sovereignty”, but instead promised to return to Germany the “full powers over her internal and external affairs” (*FRUS* 1952-1954 VII Part 1, 112-118). With the inclusion of the emergency clause in Article 5, the Western powers

maintained their rights to station troops in Germany and defend them in case of danger. The Allied Powers also retained their rights regarding Berlin and Germany as a whole, including matters concerning the reunification of Germany. Furthermore, West Germany accepted the binding clause in Article 7, Paragraph 3, which stated that a unified Germany would be bound by all treaties concluded by the Federal Republic.

Hence, in order to obtain permission for rearmament and to gain limited, but important sovereign rights, the German government knew that it basically had no choice but to accept the aforementioned military and political constraints. In a May 1952 German cabinet meeting, Adenauer defended the inclusion of the contested binding clause in Article 7, Paragraph 3 of the General Treaty on the grounds that “the understandable suspicion of the three Western powers with respect to Germany’s contractual fidelity” (quoted in Booms 1989, 314) must not be forgotten. Aware of the Allied Powers’ mistrust vis-à-vis Germany, he also emphasized that it was essential to communicate that the West German government’s misgivings with respect to the binding clause were not driven by a desire to “pull out of the West” (314) as soon as Germany was reunified.

As assumed by the theoretical models developed in chapters 4 and 5, accepting these constraints required the Adenauer administration to expend political capital in order to overcome domestic opposition in the arduous ratification process of the EDC Treaty and General Treaty, which among other things, also involved the Constitutional Court on the question whether rearmament was compatible German Basic Law. In the critical *Bundestag* deliberations, representatives the Social Democratic Party (SPD) as well as the Free Democratic Party (FDP) pointed out that the prohibition to produce strategic

weapons might seriously undermine West Germany's economic recovery (Large 1996, 164). Concerning the lack of Germany's direct participation in NATO, Fritz Erler, the SPD's foreign policy and defense expert, pointed out that Germany could easily be abandoned in case of a Soviet attack or be dragged it into an unwanted war.

Commenting on the General Treaty, Erich Ollenhauer, the leader of the SPD, remarked that it did not constitute a step towards sovereignty but merely a "modified Occupation Statute" (*DB* 1953, 12327). A more pointed criticism came from Erler who feared that the emergency clause of the General Treaty "might be exploited by the occupation powers to take over Germany's vote in the EDC Ministerial Council, thus denying Bonn any control over its own contingent, which the powers might deploy for domestic reasons such as strikebreaking" (Large 1996, 163). The binding clause also generated a heated debate. Its opponents, which came from both governing and opposition parties, feared that the automatism with which a unified Germany would be integrated into the West and its security institutions would guarantee that the Soviet Union would never agree to Germany's unification.

Due to these manifold concerns, the ratification of the General Treaty and EDC Treaty turned out to be lengthy and difficult, during which Adenauer "often behaved as an Ersatz-Kaiser or latter day Bismarck, while the parliamentary and judicial agencies showed that they still had a way to go to realize their full potential in a democratic society" (Large 1996, 154). Although Adenauer and CDU prevailed in this bitter domestic struggle, Herbst (1989, 115) ironically points out that in retrospect Adenauer should have been thankful for the French rejection of the EDC Treaty, because it gave

him the opportunity to renegotiate the 1952 General Treaty and obtain much more favorable terms less than two years later.

This qualification notwithstanding, Adenauer's initial reaction to the refusal of the French National Assembly to ratify the EDC was downright negative (Adenauer 1966, 289; Görtemaker 1999, 322). However, it did not take long for Adenauer to formulate the following alternative policy goals: (i) to continue the policy of European political integration while shelving Europe's military integration; (ii) to obtain full sovereignty, if necessary only for two zones; (iii) to become a member of NATO; and (iv) to transform the allied privilege to station troops on West German soil from a reserved right into a contractual right (Schwarz 1991, 142).

#### 6.4.4 *Reassuring France III: the NATO/WEU solution*

Adenauer was acutely aware of the fact that France could easily veto Germany's accession to NATO and that he would have to make security assurances to achieve his goals. In line with this reasoning, the *Dienststelle Blank*, the progenitor of the German defense ministry, suggested that the German delegation to the NATO negotiations should not ask for more troops than put forth in the EDC Treaty and also show Germany's willingness to accept constraints on the production of ABC weapons (Lappenküper 2001, 762). Hence, even though Adenauer called his famous renunciation of the production ABC weapons at the London Conference the only "truly lonely decision" (Adenauer 1966, 347) during his tenure as German chancellor, it did not come out of the blue.



While the abdication of the production of ABC and several additional types of heavy weapons was surely the most important German concession at the London Conference, it is worth iterating that the West German government also gave verbal security assurances to its negotiation partners by promising adhere to the strictly defensive character of NATO and never to use force in order revise Germany's present borders or to achieve unification with East Germany.

West Germany's reassurances at the London conference and its willingness to find a compromise on the Saar issue paid off. With the Paris Accords, West Germany obtained "the full authority of a sovereign State over its internal and external affairs" (quoted in Ozmanczyk and Mango 2003, 818) as well as full membership in NATO. Also, the contested binding clause was eliminated and the emergency clause was significantly qualified. The Allied Powers only retained "the rights and the responsibilities, heretofore exercised or held by them, relating to Berlin and to Germany as a whole" (818) as well as "relating to the stationing of armed forces in the Federal Republic" (818),

Adenauer was pleased with the Paris Accords. In the December, 15 1954 ratification debate, Adenauer argued that the Paris Accords would "guarantee freedom and prosperity for the Federal Republic" (*DB* 1954, 3135) and bring about "a new era in the history of Europe" (3135) because they would help "reconcile Germany with its neighbors" (3135). He also noted that the German government "voluntarily agreed not to produce certain weapons of mass destruction" (3126) in Germany and that it was "well-known that this decision constituted a critical condition for the successful conclusion of the London agreement" (3126). Moreover, Adenauer iterated that he considered the

“establishment of good relations with France” (3126) to be “one of the most important goals” (3126) of German foreign policy, and emphasized that achieving this goal deserved “continuous efforts and sacrifices” (3126). Similarly, in his memoirs, Adenauer pointed out that during the negotiations for the Paris Accords, there was a strong “desire for reconciliation between Germany and France” (Adenauer 1966, 382). He further noted that the EDC had “failed because of France’s mistrust against us Germans” (Adenauer 1966, 382) and that the conclusion of the Paris Accords was hence a “truly great day in the life and history of both peoples” (382).

Despite Adenauer’s positive assessment of the Paris Accords, the domestic ratification process was again rather difficult. The major issues in the domestic debate concerned the questions whether rearmament was morally justifiable and, even more importantly, whether rearmament would delay Germany’s unification into the distant future. In the ratification debate Ollenhauer summarized the latter concern by lamenting that Adenauer attached “a higher priority to the Federal Republic’s definitive integration into the North Atlantic Treaty system than to reunification” (*DB* 1955, 3898). Furthermore, in early 1955, there were significant domestic extra-parliamentary protests by a coalition of church leaders, trade unions, academics and socialists against the Paris Accords in West Germany (Large 1996, 223-233). Despite the opposition’s demands to consider rearmament only after Germany’s reunification, the CDU managed to push the Paris Accords as well as the Saar Statute through both *Bundestag* and the *Bundesrat*. The General Treaty became effective on May 5, 1955 and one day later, the Federal Republic became a member of NATO and the WEU, which paved the way for establishment of the *Bundeswehr*.

## 6.5 Summary

The dynamics of Franco-German relations between 1949 and 1955 strongly support the logic of the reassuring equilibria described in chapters 4 and 5. Perhaps at the most fundamental level, West Germany's behavior towards France serves as strong empirical support for the model's existence claim that under some circumstances, rising states will send security-related tying-hands signals of reassurance and thereby effectively reduce declining states' fears of an impending power shift. The empirical analysis suggests that Germany sent three such signals between 1949 and 1954 by (i) joining the ECSC and ceding part of the Ruhr's economic potential to France, (ii) accepting significant constraints on the modalities of its rearmament by signing the EDC Treaty in 1952 and (iii) by refraining from producing ABC weapons to facilitate West Germany integration into NATO and the WEU framework in 1954/1955. It is also worth pointing out that there are explicit statements by German and French leaders that these actions were conceived of as security guarantees and that they helped reduce French fears of Germany's return to power. As such, the evolution of Franco-German relations serves as a powerful empirical critique of almost all of the extant theoretical literature on power shifts which unduly neglects rising states' incentives to reassure their declining opponents (see chapter 2).

The theoretical framework developed in this dissertation receives further support in that it strongly anticipates the causal mechanisms that drove Franco-German interactions. Recall that the formal model suggests that reassuring equilibria will appear when two conditions are met. The first (and necessary) condition for the occurrence of a reassuring equilibrium is that the size of the expected power shift  $\Delta$  exceeds the costs of

conflict  $c_D$  and  $c_R$  (i.e.,  $\Delta_{max} > c_D + c_R$ ). In more informal terms, the first condition implies that a rising state will only feel compelled to send a signal of reassurance if the declining state prefers bearing the costs of prevention to undergoing an unhampered decline in relative capabilities. Differently put, for a rising state to be willing to constrain its gain in relative capabilities, a declining state's threat to otherwise take preventive action has to be credible.

This informal characterization of the rising and declining state's beliefs and preferences matches the strategic calculus of French and German decision-makers in the post-war period quite well. There is ample evidence that fears of Germany's return to power weighed heavy on French minds throughout the time-period between 1945 and 1955. Furthermore, as shown above, France was not willing to simply accept Germany's return to power, but consistently took steps to constrain Germany's recovery by rejecting the establishment of central administrations, refusing to join the Bizone, demanding a stake in the Ruhr area and by asking for severe constraints on the extent of Germany's remilitarization within the EDC and the NATO/WEU framework.

Notably, due to its status as an occupation power, France was in the unique position where it could resort to diplomatic instead of military means in order to interfere with Germany's recovery. However, France's diplomatic influence on the degree of Germany's gain in relative capabilities should not be overstated, especially when compared with the overwhelming American leverage on this issue. In line with the conjecture that even non-violent preventive action can be associated with significant costs (see chapter 3), the empirical evidence suggests that France's obstructionist policy vis-à-vis West Germany's reconstruction was not efficient. First, the French

obstructionism was at several times on the verge of risking a precarious fall-out with France's American ally. Recall that the American government frequently warned the French that the United States would reduce its financial and military aid and even reconsider its security commitments to Western Europe should France refuse to go along with the American efforts to rebuild Germany. Second, as Trachtenberg and Creswell (2003) argue, the French government slowly started to realize that a strong Germany could serve as a bulwark against Soviet expansionism and that French efforts to keep Germany down could have the costly security externality of potentially having to face the "Russians on the Rhine." Arguably, France's desire to avoid these costs was a key reason why they submitted to the American and British plan to rebuild and strengthen Germany.

Although the U.S. and British commitments to rebuild Germany and France's growing fear of the Soviet Union were important reasons for France to eventually allow Germany's recuperation, they did not eliminate France's desire to obtain reassurance from Germany. Differently put, it seems extremely unlikely that France would have simply given up its obstructionist policy if Germany had not agreed to join the ECSC and renounced ABC weapons, even though it is difficult to say how successful France would have been at impeding Germany's return to power in the long run.

Germany's understanding of its strategic situation vis-à-vis France also matches the predictions of the reassuring equilibria of the theoretical model. The West German government was highly aware of French fears and took France's willingness to impede Germany's recovery very seriously. As evidenced by Adenauer's 1949 interview in the German weekly *Die Zeit* and the above-mentioned 1952 internal policy directive to pursue a "positive policy" vis-à-vis France, the German government clearly saw the need

to reassure France by offering security guarantees. Also, the German government knew that France could and would veto Germany's accession to NATO if necessary.

At the same time, it is worth pointing out that the West German government was not willing to simply give in to France's security demands. Instead, Germany's hard bargaining and consistent demands to be treated as an equal partner during the negotiations for the ECSC, the EDC and the NATO/WEU solution shows that Germany was barely willing to offer more security guarantees than necessary in order to obtain France's acceptance of Germany's gain in power.

The formal model also receives support for the second (and sufficient condition) for a reassuring equilibrium, which holds that a rising state's opportunity costs for taking reassuring actions must be sufficiently low. The empirical analysis suggests that the West German government's opportunity costs for agreeing to the establishment of the ECSC, the EDC and the rearmament constraints within the NATO/WEU solution were primarily due to domestic factors. In order to join the ECSC, the West German CDU-led government had to overcome significant resistance from the coal and steel sector. The decision to rearm within the constraints of the EDC and the NATO/WEU framework generated strong opposition from the SPD and other groups inside and outside the *Bundestag* that the Adenauer administration had to overcome.

Even though the extent of Germany's security assurances was subject to debate, the empirical evidence suggests that the basic imperative to come to agreeable terms with France was never seriously contested. It seems safe to conclude that the configuration of domestic interests was generally amenable to Adenauer's policy of reassurance. Interestingly, the view that Franco-German rapprochement was a political necessity was

also shared by the German population. Public opinion polls between February 1952 and September 1954 show that between 65 and 75 per cent of the German people believed that “Adenauer’s efforts to improve Franco-German relations” were “right” or “generally right”, while only 9 to 13 per cent rejected them as “wrong” (Noelle and Neumann 1956, 345).

The evolution of Franco-German relations between 1949 and 1955 also provides some indirect, albeit suggestive support for the comparative statics of the reassuring equilibrium in which the rising state sends security-related tying-hands signals. One interesting and somewhat puzzling finding of the empirical analysis is that France accepted and ratified Germany’s rearmament within NATO/WEU but rejected the EDC solution, even though both frameworks had put very similar constraints on Germany. The theoretical model can account for this puzzle with its prediction that the size of a sufficiently reassuring signal is positively correlated with the size of an expected power shift. According to Trachtenberg (1999), “Mendès understood that the strategic environment in 1954 was very different from what been in 1950 [...] the great armament decisions of later 1950 had to begun to pay off [...] By 1954 [...] it was quite clear that the West, and especially the United States, now had very much the upper hand. In this strategic environment, it was much harder to think of West Germany as posing a threat. Even France was going to build a nuclear force” (123). Hence, as predicted by the theoretical model, because France felt less threatened by Germany’s rise to power, a previously inadequate signal of reassurance became sufficient to obtain France’s agreement.

Finally, in order to further evaluate the explanatory power of the formal model, it is instructive to consider the empirical non-findings of the analysis above. In line with the theoretical predictions, there is no evidence that in the course of Franco-German relations between 1949 and 1955 sunk-cost signals played a notable role. Indeed, the French government neither demanded generic sunk-costs signals of goodwill nor did the German government ever contemplate to offer such signals to address France's fears of Germany's return to power – which corresponds to the theoretical finding in chapter 4 that sunk-cost signals are ineffective tools for addressing commitment problems.<sup>3</sup>

Certainly the most surprising finding of the empirical analysis of Franco-German relations is the relative absence of audience-cost signals. Recall that the unified model in chapter 5 suggests that audience-cost signals will crowd out security-related tying-hands signals when actors have both signals at their disposal and audience cost-based signals are as reliable as security-related tying-hands signals (see Chapter 4). However, the empirical evidence suggests that audience cost-signals played at best a supplementary role for easing French fears of Germany's revival. The only signals that seem to qualify as purely political promises were Germany's contractual pledges in the Paris Accords to refrain from any actions that were inconsistent with the defensive character of the NATO and WEU treaties and not to use force to achieve Germany's reunification. However, compared to Germany's security-related tying-hands signals and well as the American and British security guarantees, audience cost-based reassurance seems to have played at best a secondary role.

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<sup>3</sup> While one could argue that Germany's willingness to find a compromise on the Saar issue constituted a sunk-cost signal, it was never seen to have any impact on the security question. Furthermore, it is not even clear whether the Saar compromise during the WEU/NATO negotiations actually involved a costly concession by the Germans. The Saar compromise turned out to be highly favorable for Germany, because the results of the 1955 referendum provided the basis for the Saar area's accession to the West Germany.



One can only resort to counterfactual speculation to explain why audience-cost signals apparently played no role in Franco-German relations during the early post-war years. One reason may be that France did not have great faith in the reliability of Germany's political promises due to its aggressive history and the sophomoric state of its democratic institutions. Recall that Adenauer hinted at this during a 1952 cabinet debate when he mentioned "the understandable suspicion of the three Western powers with respect to Germany's contractual fidelity" (Booms 1989, 314). Another reason may be that audience cost-based signals are generally viewed as less reliable means of reassurance and hence are rarely used in situations where there are strong concerns over an impending power shift. While the relative dearth of the verbal reassurances in the empirical analysis above do not suffice to reject the notion that audience cost-based signals may help rising states to reduce declining states' fears of power shifts, their absence is notable.

A heuristic summary of the preceding case study's coding of key variables and main findings is provided in the table below.

**Table 3: Franco-German relations, 1949-1955: Key findings**

<b><i>Parameter values</i></b>	<b><i>Coding</i></b>	<b><i>Empirical referents</i></b>
<b>Size of anticipated power shift</b>	<i>medium to high</i>	<i>Germany's economic recuperation and rearmament</i>
<b>Costs of conflict/prevention</b>	<i>low</i>	<i>France's status as an occupation power</i>
<b>Opportunity costs</b>	<i>low</i>	<i>domestic and international support for conciliation with France</i>
<b><i>Behavioral predictions</i></b>	<b><i>Predicted</i></b>	<b><i>Realized</i></b>
<b>Rising state</b>	<i>SRTH or AC reassurance</i>	<i>SRTH reassurance: Germany's acceptance of ECSC, EDC and NATO/WEU provisions; renunciation of ABC weapons</i>
<b>Declining state</b>	<i>acquiescence</i>	<i>France granted constrained remilitarization and political emancipation</i>
<b>Outcome</b>	<i>Peace</i>	<i>Franco-German cooperation as the engine of Europe integration</i>

## **7 French fears and Germany's policy of coercion, 1933-1938**

### **7.1 Overview**

In May 1933, just weeks after Adolf Hitler's rise to power in Germany, Prime Minister Edouard Daladier detected a "heated crusade of moral rearmament" (quoted in Erbar 2003, 81) in Germany and warned that if given a free hand, Germany would only need a "preparation time of five to six years to be in a position where it can afford a similar exertion it undertook in 1914" (81). Yet, in the years that followed, France refrained from taking any significant action to thwart Germany's rise to power and stood aside and watched as Nazi Germany embarked on a massive rearmament effort, reintroduced conscription, militarized the Rhineland, absorbed Austria and annexed the Czech Sudetenland.

This chapter argues that the theoretical model developed in chapters 4 and 5 does not only help explain the "preventive war that never happened" (Ripsman and Levy 2007) from the French perspective, but helps account for Germany's coercive behavior between 1933 and 1938. As will be laid out below, France was strongly concerned with its relative decline vis-à-vis Germany but shied away from taking preventive action due to the dire state of French offensive forces and the lack of British support for military action against Germany. These two factors account to a large extent for France's high costs of prevention and with it, France's willingness to tolerate Germany's coercive behavior.

Importantly, the Nazi leadership was aware of France's unwillingness to wage preventive war against Germany and hence was rather certain that it could resort to a strategy of accumulating additional power resources on top of its rearmament efforts

without having to fear French reprisals. As such, the dynamics of Franco-German relations between 1933 and the outbreak of World War II constitute a prime example of a coercive equilibrium in which a rising state exploits a declining state's unwillingness to take preventive action by issuing security-related tying-hands signals to further increase its gain in relative capabilities.

The remainder of this chapter is structured as follows. Section 7.2 briefly describes the historical background of Franco-German relations before Hitler's rise. Section 7.3.1 details France's fears of its relative decline and describes some of the early responses to Hitler's rearmament efforts. In the following subsections, the empirical analysis examines France's motives for acquiescing to the most significant coercive moves - the militarization of the Rhineland (section 7.3.2) and the annexation of the Sudeten territories (section 7.3.3) - and shows that in line with the logic of security-related tying-hands signals, France was aware that these actions further increased Germany's relative capabilities.

The empirical analysis then switches perspectives and lays out the Nazi leadership's major foreign policy goals and its perception of France's willingness to counter Germany's rise (section 7.4.1) as well as its decision-making calculus for moving troops into the Rhineland (section 7.4.2) and annexing Czechoslovakia's Sudetenland (7.4.3). As will be described below, the Nazi leadership's belief that France would not respond with military action was key for its decision to remilitarize the Rhineland. Similarly, Hitler was for the most part confident that France would not come to the aid of Czechoslovakia, but nevertheless tried to minimize the chance of "overcoercing" and provoking France by giving up his original plan of attacking Czechoslovakia and settling

for the annexation of the Sudeten territories instead. Section 7.5 offers a summary and conclusion.

## **7.2 Historical Background**

Franco-German relations between the end of World War I and the emergence of the Nazi regime in 1933 were marked by the Versailles system, which forced Germany to accept the sole responsibility for having caused World War I, make significant reparations payments and accept territorial revisions. Furthermore, the Versailles Treaty imposed severe constraints on Germany's military forces: the Rhineland was demilitarized, conscription deemed illegal, the upper limit of German armed forces was set to a limit of 100,000 men, the maintenance of naval forces was severely constrained and the deployment of aerial forces was effectively prohibited.

From the very beginning, the Versailles system was highly contested. While Germany viewed the provisions of the treaty as overly harsh, France - which had emerged victorious, but economically and militarily severely weakened from the war - believed that it was insufficient to bar Germany's return to power. With respect to the Versailles system, the French Commander-in-Chief Marshall Ferdinand Foch gloomily pointed out: "This is not peace; it is an Armistice for twenty years" (quoted in Adamthwaite 1977, 17). Great Britain, however, had little sympathy for French concerns as it viewed France to be "already too powerful" (Kissinger 1994, 251) and believed that Germany, not France was "the aggrieved party in need reconciliation" (251). Hence, Great Britain did not only rebuff France's request to enter into a formal military alliance,

but also reacted with great irritation to France's decision to occupy the Ruhr area in 1923 – which encouraged Germany to put a freeze on reparations payments.

Both the French Poincaré administration and German cabinet under Chancellor Wilhelm Cuno lost office over the Ruhr crisis. Under the new French Foreign Minister Aristide Briand and Gustav Stresemann as German chancellor and foreign minister, Franco-German economic relations experienced a period of stabilization in the mid-1920s, during which the Ruhr area was evacuated, the Dawes Plan for the reduction for German reparations payments was accepted and several Franco-German economic and trade treaties were concluded. Most importantly, during the Briand-Stresemann era, the Locarno Treaties were concluded, with which France, Belgium, and Germany promised each other not to revise their borders and Great Britain and Italy pledged to serve as guarantors. Furthermore, Germany agreed to sign arbitration treaties with France and Belgium.

While the Locarno Treaties were hailed as a milestone towards permanent peace in 1925, they actually “defined the next battlefield” (Kissinger 1994, 274) as they partially rehabilitated Germany, created free-riding incentives for the provision of security and acknowledged the legitimacy of border revisions in Eastern Europe. Furthermore, the Locarno Treaties left several contentious issues concerning Franco-German relations unresolved, including the return of the Saar area, the evacuation of the Rhineland, the status of Eupen and Malmedy as well as the question of reparations payments (Erbar 2003, 3).

Disarmament remained the most contentious issue as France firmly objected to Germany's demand that the restrictions on Germany's armament be lifted and that

France's armament level be reduced. The Western powers decided not to grant this request and with Germany's demand for parity and France's need for security, Franco-German relations remained deadlocked. In 1932, French Prime Minister Edouard Herriot painted a bleak picture of the future of Franco-German relations: "I have no illusions. I am convinced that Germany wishes to rearm [...] We are at a turning point in history. Until now Germany has practiced a policy of submission [...] [N]ow she is beginning a positive policy. Tomorrow it will be territorial demands" (quoted in Adamthwaite 1977, 29).

### **7.3 The French perspective**

#### *7.3.1 France's fears of decline*

Although the French government viewed Hitler's assumption of power in January 1933 with unease, initially it felt neither alarmed nor compelled to undertake a revision of its foreign policy vis-à-vis Germany. In a February 14, 1933 meeting in the French Senate, Daladier declared: "I am well aware that Hitler is now at the Reichschancellery. But explain to me in what ways the principles of Hitler's foreign policy differ from those of von Schleicher or from the bases of Brüning's policy? The situation appears to me to be same" (quoted in Jackson 2000, 67).

Hitler's quick and ruthless consolidation of his domestic power position and growing evidence for violations against the letter and the spirit of the Versailles system such as increases in German police forces in the demilitarized zones, the establishment of the Air Ministry and armored train traffic in Germany induced the French government to become increasingly fearful of Hitler's intentions. In a May 1933 memorandum to French

Foreign Minister Joseph Paul-Boncour, Daladier warned that Germany is ready “for a complete military restoration”(quoted in Erbar 2003, 81) which constitutes “serious and constant threat [...] to French security” (81). Similarly, in April 1933 the *Deuxième Bureau*, the French intelligence service, warned that “[s]ince the accession of the Nazi government [...] [t]he political and moral unity of the country is under rapid reconstruction in preparation for a policy of military aggression” (quoted in Jackson 2000, 58). In the fall, Commander-in-Chief Maxime Weygand predicted Germany was on the road of achieving “a very pronounced superiority” (64) in relative capabilities “given the military culture of this nation and intensive efforts already undertaken to prepare the German armaments industry for rearmament” (64).

Despite France’s fears and concerns regarding Germany’s rise, its foreign policy toward Germany remained passive. There are several reasons for this. One reason is the immense degree of war fatigue of the French public after the devastating experience of World War I (Adamthwaite 1995, 168-171). As a result, “the only means capable of stopping German rearmament and leading to the downfall of Hitler, that is to say, preventive war” (Vaïsse 1983, 227) was deemed politically infeasible by the government. Second, the Great Depression had put France into a deep financial and economic crisis, which did not only overshadow the German menace but also made a significant rearmament effort in order to compensate for Germany’s gain in relative capabilities effectively impossible. As Daladier noted in February 1933: “[F]inancial considerations must take precedence over military policy [...] a balanced budget is the best guarantee of national security” (quoted in Jackson 2000, 78). Economic constraints were also a critical factor for the French decision to take refuge in a defensive military orientation, which



found its most visible representation in the construction of the Maginot line (Young 1996, 106-109; Alexander 1998, 164-194). Third, both Great Britain and the United States exerted significant pressure on France to disarm because they continued to view “France, not Germany, as the chief threat to peace and harmony in Europe” (Adamthwaite 1995, 189). Fourth, the formulation of a coherent security policy vis-à-vis Germany was greatly hampered by France’s deep domestic ideological divisions and its chronic cabinet instability (Duroselle 2004, 24-111).

Within these parameters, French foreign policy after 1933 vacillated between ill-fated attempts to come to terms with the German threat through rapprochement and collective security under foreign minister Joseph Paul-Boncour, efforts to build a grand alliance between France, Great Britain, Italy, and the Soviet Union under Louis Barthou and the return to rapprochement with Germany under Pierre Laval (Bariéty 1982, 380-396; Duroselle 2004, 24-111; Höhne 1982) – while Germany, among other things, left both the Geneva arms conference and the League of Nations in October 1933, forged the German-Polish non-aggression pact in January 1934, introduced conscription in March 1935, secured the German-British Naval Pact in June 1935 and shifted its rearmament program into high gear.

### *7.3.2 France coerced I: the remilitarization of the Rhineland*

For France, the demilitarized status of the Rhineland constituted a cornerstone of its security architecture vis-à-vis Germany. Going back to the Treaty of Versailles, the demilitarized status of the Rhineland was also an explicit component of the 1925 Locarno

Treaties that defined a deployment of German military forces as an act of aggression comparable to the violation of a border. For France, the strategic significance of the demilitarized Rhineland was two-fold: not only did it severely diminish the likelihood of a German attack against France and the Low Countries, it also constrained Germany's ability to take violent action against any other neighbor as it would have to fear reprisals through its open flank in the West (Weinberg 1970, 239). In 1933, Daladier pointed out that if Germany reoccupied the demilitarized zone, "the foundations of our national defense would be deeply altered" (*Documents Diplomatiques Français* 1 IV, 299; cited as *DDF* hereafter).<sup>1</sup>

Suspicious that Germany might try to make move against the Rhineland were discussed in French government circles in the summer of 1935 (Adamthwaite 1995, 202). These suspicions gained credence by Hitler's assertions that the 1935 Franco-Soviet Treaty of Mutual Assistance constituted a breach of the Locarno Pact, which many interpreted as a German attempt to give the impending occupation of the Rhineland an air of legitimacy. In a remarkably frank discussion with State Secretary Bernhard von Bülow, Ambassador André François-Poncet voiced these concerns: "You behave as if you were seeking legal excuses early on to justify some future action that is already on your mind and could be, for example, to suddenly occupy the demilitarized zone" (*DDF* 1 I 30, 42). Charles Corbin, the French ambassador to Great Britain, predicted that Germany would remilitarize the Rhineland in 1936 (*Duroselle* 2004, 118).

Even though the French government became increasingly worried about a potential German coup in the Rhineland and neither Foreign Minister Pierre-Etienne

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<sup>1</sup> For the following quotes from the *Documents Diplomatiques Français* (DDF) the English translations in Duroselle (2004) are used whenever available.

Flandin nor Prime Minister Albert Sarraut a priori ruled out military action to prevent or reverse a German militarization of the Rhineland, French plans for a potential countermove never got off the ground. On February 1, 1936 the French Foreign Ministry pointed out that was it was “appropriate to see which precautions or measures should be prepared [...] should Germany take any initiative to unilaterally breach the status of the demilitarized zone” (*DDF 2 I*, 175) and asked the “Ministry of War to make recommendations” (175). However, when Foreign Minister Flandin met with War Minister Louis Maurin and the chiefs of staff of the French military branches one week later to learn about potential military countermeasures, “the military offered no response” (Duroselle 2004, 125) and only presented plans to secure the Franco-German border against an incursion. Flandin’s subsequent inquiries of how France could “not just respond to a possible initiative on Germany’s part but, if possible, to discourage the Reich from going down that path [of remilitarizing the Rhineland]” (*DDF 2 I*, 278) were also met with negative responses from the military. While the military leaders listed precautionary measures against a German invasion of French territory, General Maurin pointed out that “[i]t could be contrary to French interests to use our right to occupy the demilitarized zone [...] We would actually risk being considered the aggressor and thus find ourselves alone facing Germany. Such an operation couldn’t be considered without the full support of the British government” (*DDF 2 I*, 291).

Arguably, the major reason why French military leaders were extremely reluctant to send French forces into the Rhineland in order to drive out the German units was that the entire French military had a strong defensive orientation and lacked the capabilities for an offensive move against Germany. As General Maurice Gamelin pointed out: “The

idea of sending quickly into the Rhineland a French expeditionary force, even if only a token force, was a chimera” (quoted in Adamthwaite 1995, 203) since the army was a “static” (203) force and “no offensive action could be undertaken until the twelfth day of mobilization” (203). Relatedly, French generals, who controlled much of the intelligence on Germany, grossly overestimated the capabilities of the German forces in order to emphasize the precarious nature of the French forces and to secure additional funding from civilian leaders (Jackson 2000, 172). In meetings with political decision-makers, General Maurice Gamelin warned that a French move into the Rhineland would undoubtedly lead to a war of attrition in which France would face 120 German divisions. He further pointed out that the “the German war potential is far superior to ours” (quoted in Jackson 2000, 172) and warned that the German defense industry “was entirely mobilized” (172). Hence, key military decision-makers did not only overestimate the magnitude of the power shift that had already taken place in favor of Germany, they also believed that France was incapable of taking preventive action against Germany at an acceptable cost.

With the military leaders’ refusal to spell out how German forces could be prevented from reoccupying the Rhineland, the provisional French cabinet under Albert Serraut decided to refrain from exercising its right to “take isolated action” (*DDF* 2 I, 339) and determined to “only act in agreement with the signatories of Locarno” (339) should Germany commit a “blatant and unquestionable breach” (339 of the Locarno provisions. Furthermore, in February 1936, the French government decided that it would take no forcible action without British support in particular (Adamthwaite 1995, 203).

Hence, when 22,000 German soldiers marched into Rhineland on March 7, 1936, France had already abandoned the option of responding militarily on its own and tried to forge a multilateral response under the auspices of the League of Nations. Although the Czech and Romanian governments promised to support France with economic sanctions against Germany, their offers were essentially irrelevant -- what mattered was whether Britain would join France in a military campaign to punish or reverse the coup in the Rhineland (Ripsman and Levy 2007, 48).

Much to the disappointment of the French government and Flandin in particular, the British Foreign Office had already told the French ambassador in mid-February 1936 that the demilitarized status of Rhineland did not constitute a vital British interest (Schuker 1986, 312). A few days later, Foreign Secretary Anthony Eden noted that since “the zone was constituted primarily to give security to France and Belgium, it is for these two Governments, in the first instance, to make up their minds as to what values they attach, and what price they are prepared to pay for, its maintenance” (Eden 1962, 375). Furthermore, he advised that it “would be preferable for Great Britain and France to enter betimes into negotiations with the German government for the surrender on conditions of our rights in the zone while surrender still has a bargaining value” (375).

After the German fait accompli, the British government stuck to its position of taking no violent action against Germany. Interestingly, on March 8, 1936, the British secretary of state for war even told the German ambassador in London that “though the British people were prepared to fight for France in the event of a German incursion into French territory, they would not resort to arms on account of the recent occupation of the Rhine... [M]ost of them probably took the view that they did not care ‘two hoots’ about

the Germans reoccupying their territory” (*Akten zur Deutschen Auswärtigen Politik* 1933-1937 V.1, 53; cited as *ADAP* hereafter). In an effort not to damage its brittle relations with Germany, the Foreign Office furthermore told the American chargé d’affaires that “England would make every endeavor to prevent the imposition of military/and or economic sanctions against Germany” (quoted in Weinberg 1970, 254). Hence, Flandin’s request for economic and military sanctions against Germany in a meeting with Eden on March 11 encountered a “polite but firm opposition” (Duroselle 2004, 133) from Britain. Although the British government promised to send two British divisions to the continent should France be attacked by Germany, the British refusal to assist France in forcing German troops out of the Rhineland meant that a significant reprisal against Germany was off the table. As Ripsman and Levy (2007) point out, “[a]ll that remained was a passive diplomatic response under the auspices of the League of Nations” (50).

How does France’s inaction in response to Germany’s armament efforts and recovery of the Rhineland relate to the predictions of the theoretical model developed in chapters 4 and 5? The first thing to note is that even though France’s behavior seems regrettable in hindsight, it was rational in the sense that the costs of taking preventive action were considered prohibitively high. As pointed out above, the dismal state of French military forces, the exaggeration of the level of German rearmament and the lack of British support appear to have been the primary reasons for France’s passive reaction, although internal political divisions (Duroselle 20004 112-116), the war fatigue of the French public (Young 1996, 113-129) as well as economic and financial considerations (Adamthwaite 1977, 140-146; Schuker 1986) are likely to have contributed to the French government’s aversion against taking preventive action.

Second, it seems worth pointing out that the German decision to remilitarize the Rhineland occurred on top of German rearmament efforts, which constituted France's primary security concern even before Hitler came to power. Because France lost "a buffer zone and the opportunity to defend its allies in the East" (Duroselle 2004, 135), the remilitarization of the Rhineland can be viewed as a security-related tying-hands signal of coercion which further increased Germany's gain in relative capabilities and with it, its commitment problem. Hence, France's inaction in response to the remilitarization of the Rhineland matches the theoretical model's logic that declining states will not only tolerate detrimental shifts in relative capabilities, but also actions by rising states that further amplify their relative decline if declining states deem the costs of preventive action as sufficiently high.

### *7.3.3 France coerced II: the annexation of the Sudetenland*

The Czech crisis emerged shortly after the German *Anschluss* of Austria, which occurred on March 12, 1938 and was only met with a weak response by France and the other Western powers. For France, Germany's absorption of Austria was another geopolitical setback as it increased Germany's population to 72 million (compared to 42 million in France) and opened up the southern border of its ally Czechoslovakia to a German attack.

Because of the latter fact, the French government harbored few illusions that Hitler's propaganda campaign regarding the alleged grievances of the Sudeten minority in Czechoslovakia was nothing but a pretext to dismember Czechoslovakia and utilize its natural resources, military hardware and manpower to boost the German armament effort.

In an April 27, 1938 Franco-British summit meeting, Daladier alerted the British Prime Minister that “[i]f Germany gains control of eastern and south-eastern Europe, it will be assured the resources necessary to turn against the west, which, out of weakness, will have provided her with the means with which to wage the long war which she is at present incapable of sustaining” (quoted in Jackson 2000, 250). Several months later, Daladier iterated his grim assessment in front of the French army commission by pointing out that “if we stand aside and allow Germany to establish its hegemony [in east-central Europe] it is clear that in a relatively short period of time it will be the independence of France itself which is threatened with destruction” (quoted in Jackson 2000, 250).

Despite Daladier’s alarming rhetoric and repeated public assurances that France would live up to its defensive alliance to Czechoslovakia in case of a German aggression, the French government effectively decided on March 15 that “the only aid that she [France] could provide is indirect: it consists of mobilizing to keep German troops along our borders” (*DDF* 2 I, 824). Furthermore, during the Franco-British discussions in London on April 28 and 29, France had to realize once again that it could not count on British support. Prime Minister Neville Chamberlain emphasized that Britain’s Locarno guarantee did not cover a French decision to help Czechoslovakia and proposed that both Britain and France should apply pressure on Czech President Eduard Benes to make the necessary concessions on the Sudeten issue to appease Germany (Duroselle 2004, 273-274). Daladier agreed with Chamberlain that Benes should be asked to acquiesce to Germany’s demands but also noted that “if renewed pressure must be brought to bear on Prague, France and Great Britain have to at least be determined, if no agreement can be reached, to support Czechoslovakia and prevent its dismemberment or disappearance”



(DDF 2 IX, 579). Daladier also pointed out that a Franco-British guarantee was necessary in order to stop Germany's expansionism, which was aimed "at eliminating the last vestiges of European equilibrium" (579). Furthermore, he repeated that France highly valued its alliance obligations towards Czechoslovakia and intended to fulfill them. Despite these assertions, the British government stuck to its position (Duroselle 2004, 276).

Only a few days later, there were first indications that Daladier had exaggerated the French commitment to defend Czechoslovakia. In May 1938, the Czech government informed France of German troop concentrations in Saxony and mobilized its troops as it feared an impending German invasion. Although the news of German troop concentrations was corroborated by French intelligence and only turned out to be incorrect much later, the French response during the May crisis "was virtually nil" (Duroselle 2004, 275). Even more tellingly, in July 1938, Foreign Minister Georges Bonnet met with the Czech Minister Stefan Osusky

to clearly indicate to Mr. Osusky once again what the *French position* was [...] The Czechoslovak government must be made clearly aware of our position: France would not go to war over the Sudeten issue. Publicly we will certainly reiterate our solidarity as the Czechoslovak government wishes – but that statement of solidarity should enable the Czechoslovak government to seek an honorable and peaceful solution. *Under no circumstances* should the Czechoslovak think that if a war breaks out we shall be at its side, all the more since on this issue our diplomatic isolation is virtually complete. (DDF 2 X, 437)

In the following months, the French government remained rather passive, while Britain sent Lord Walter Runciman on a mission to Prague to examine the possibilities of conciliating between the Sudeten Germans and the Czechoslovakian government. Even though the British government stuck to its appeasement policy, it tried to avert the impression that its willingness to acquiesce to Hitler's and the Sudeten minority's demands was unconditional. After an emergency cabinet meeting concerning the May mobilization crisis, Lord John Simon, a former foreign secretary, noted in his diary that Britain would under no circumstance join France in the defense of Czechoslovakia, but that "an open declaration to this effect would only give encouragement to Germany's *intransigence*" (quoted in Goldstein 1999, 286; original emphasis).

As Hitler's rhetoric became increasingly inflammatory in the late summer, Britain's willingness to utter threats that Great Britain would not remain passive if Germany started a war with Czechoslovakia also grew. When Lord Halifax repeated these threats in on September 11 and 12, "French Foreign Minister Bonnet became hysterical and told off the British ambassador with the reproach that such announcements increased the risk of a war that must be avoided" (Weinberg 1980, 423) -- even though one week earlier, Bonnet had told the German ambassador Johannes von Welzeck "that France was definitely determined to actually stand by its commitments" (*DDF 2 XI*, 53) should Germany attack Czechoslovakia.

Three days after his September 15 Berchtesgarden meeting with Hitler, Chamberlain saw Daladier and Bonnet in London and told them that Hitler had threatened to solve the Sudeten issue by force but had also claimed that war could be averted if the Czech government respected the principle of determination, i.e., ceded

areas that were inhabited by Sudeten Germans. Daladier responded that for the French government to be willing to give in to Hitler's demand, Britain would have to agree to a Franco-British territorial guarantee for the remaining part of Czechoslovakia. Somewhat hesitantly, Chamberlain agreed (Duroselle 2004, 282-283). On September 22, Chamberlain traveled to Bad Godesberg to meet again with Hitler and was confronted with increased demands: Hitler rejected Chamberlain's suggestion to hold a plebiscite in areas whose German population exceeded 65 per cent and claimed that in order to bring an end to the grievances of the Sudeten minority, Germany would have to immediately occupy all of the areas it was demanding. Hitler further noted that a plebiscite would be only held after the occupation and that Chamberlain's suggestion of a German-Czech non-aggression pact was out of the question (Weinberg 1980, 446-447).

Great Britain and France were strongly taken aback by Hitler's threat and on the evening of September 23 they informed the Czechoslovakian government that they no longer opposed the mobilization of its forces. The next morning, France decided mobilize several contingents of reservists and sent 753,000 men to its northeastern border. However, on the question of whether France should actually resist a German move against Czechoslovakia, the cabinet remained divided: while Bonnet led the group of pacifists, who wanted to avoid war at all costs, Daladier joined the resisters, for whom the Franco-British proposal constituted the maximum offer (Duroselle 2004, 288). On September 25, Daladier and Bonnet met with Chamberlain in London to discuss the next steps. When Daladier pointed out that France would not simply watch Hitler destroy Czechoslovakia, Chamberlain warned that it would be "a futile consolation to want to fulfill your obligations toward your friends and help them, only to discover later on that

you are in no condition to do so but are actually caving in” (*DDF 2 XI*, 538). The next morning it was decided to send Sir Horace Wilson to Germany and sound out Hitler’s willingness to accept a negotiated agreement and warn him that if Germany attacked Czechoslovakia, France would meet its alliance obligations with British support. To lend credence to the threat, the British government decided to mobilize its fleet while Wilson was in Berlin (Weinberg 1980, 449).

As will be shown below, the mobilization of French and British forces was the decisive factor for Hitler to agree to Chamberlain’s proposal - which was delivered by Benito Mussolini on September 28, 1938 - to hold a multilateral conference on the future of Czechoslovakia. At the infamous Munich conference that began the following day, France and Great Britain agreed to Hitler’s Bad Godesberg demands by allowing Germany to annex the Sudetenland while issuing a guarantee to the rest of Czechoslovakia against a German aggression.

France’s decision to acquiesce to Germany’s demands regarding the Sudeten territory was primarily due to France’s lack of confidence in its own military capabilities and Britain’s unwillingness to support France in a war against Germany. As was the case during the Rhineland crisis, French military circles and the intelligence sector did not only overestimate (and at times even consciously exaggerate) the German capabilities, but also painted a very bleak picture of the state French forces, emphasizing France’s vulnerability regarding German aerial attacks (Jackson 2000, 247-297). Daladier later revealed, “[t]he air situation constantly conditioned my thinking. When considering our options we always came back to the same problem, the inferiority of our aviation in relation to that of Germany” (quoted in Jackson 2000, 279). Similarly, when U.S.

ambassador William Bullitt asked Daladier in May 1938 whether France would support Czechoslovakia, Daladier replied “With what?” (*FRUS* 1938 II, 493) and explained that “[w]ith the present disparity parity between the French air force and the German air force it was impossible for France to go to war with Germany” (*FRUS* 1938 II, 494). Hence, for France the decision not to take preventive action boiled down to the question of British support, which was not forthcoming.

In sum, France’s decision-making calculus with respect to the Czech crisis adhered to very similar dynamics as in the Rhineland crisis. Again, it is worth emphasizing that France viewed Germany’s annexation of the Sudetenland as an act that would further increase Germany’s relative capabilities vis-à-vis France. As General Gamelin pointed out just days before the Munich agreement: “Germany would be much stronger in a year of two. If we abandon Czechoslovakia today, [Germany] would be enriched by millions of residents, mineral and industrial wealth, and notably the Skoda factories” (quoted in Ripsman and Levy 2007, 53). Hence, Germany’s annexation of the Czech Sudetenland matches the logic of security-related tying-hands signal laid out in chapters 4 and 5.

Yet, France refrained from taking violent preventive action against Germany because it believed that without British support the cost-benefit ratio of such an action compared to acquiescing to Germany’s move was too unfavorable (see Ripsman and Levy 2007, 53 for a similar characterization). Similar to France’s decision not to obstruct the militarization of the Rhineland, its decision to refrain from taking preventive action against Germany’s annexation of the Sudetenland supports the theoretical model’s prediction that declining states will not respond to coercive behavior by rising states. As

laid out in chapters 4 and 5, the reason for this is that a rising state will only resort to coercion if it is rather certain that a declining state's aversion against taking preventive action is sufficiently high so that coercion will not provoke preventive action.

In order to further demonstrate that the key aspects of Franco-German relations in the interwar period adhere to the logic of an equilibrium with security-related tying-hands signals of coercion, the next section examines Germany's decision-making calculus for militarizing the Rhineland and annexing the Sudetenland. As will be shown, the question of whether France would respond with force to the militarization of the Rhineland was a key component of Germany's decision-making process. Similarly, the Nazi leadership's decision to settle for the annexation of the Sudetenland at the Munich conference was driven by the belief that attacking Czechoslovakia - which constituted Hitler's original goal - would elicit a Franco-British military response.

## **7.4 The German perspective**

### *7.4.1 Germany's assessment of France's fears*

The overarching foreign policy goals of Adolf Hitler and the Nazi regime were to eliminate what they believed were racially inferior people and to eventually lead Germany to world domination. The more immediate policy goal was to acquire "living space" primarily in Eastern Europe and Russia whose "native population would be expelled or exterminated, not assimilated" (Weinberg 1970, 6). This, in turn, required a massive build-up of Germany's military capabilities and an uncontested power position in continental Europe. In order to achieve hegemony in Europe, Hitler believed that is

was crucial to remain - at least initially - on good terms with Great Britain, build an alliance with Italy and crush France, which was not only the despised “home of the concept of human equality” (Weinberg 1970, 6) but also Germany’s most formidable opponent in continental Europe.

In his address to German navy generals on February 3, 1933, Hitler identified “the struggle against Versailles” (quoted in Hofer 2000, 181) and the obtainment of “equality in Geneva” (181) as the immediate foreign policy goals for Germany. Furthermore, he explained that the “establishment of the Wehrmacht” (181) was the “most important precondition [...] for regaining political power” (181). He also said that the armed forces were the “most important and most socialist institution of the state” (181) and that the Nazi regime will face the “most dangerous time during the establishment of the Wehrmacht: then it will become clear, whether France has statesmen; if yes, she won’t give us time, but will attack us” (181).

The latter comment is particularly informative, as many of Germany’s foreign policy initiatives after 1933 can indeed be viewed as limited probes to sound out France’s willingness to take preventive action against Germany. As Hildebrand (1990) points out, one of the “cornerstones of Hitler’s foreign policy” (33) as Germany moved through the “danger zone” (33) was to “test to what extent it was possible to stand up to the Western powers” (33). A case in point is the Nazi leadership’s approach to the Geneva arms negotiations. Although Hitler never intended to accept any limits on Germany’s rearmament, Hitler feigned a willingness to reach a negotiated settlement because he did not want to “provoke the other powers too soon” (Weinberg 1970, 161) and wanted to obtain a better estimate of whether France and Britain “would move toward preventive

war in face of German rearmament” (161) before he decided to permanently leave the Geneva conference.

France’s agreement to return the Saar to Germany in early 1935 significantly boosted Hitler’s confidence that the Western powers would do little to interfere with Germany’s rise. As Hitler triumphantly noted in a cabinet meeting after he had secured France’s agreement to hold a plebiscite in the Saar area: “The French have definitely missed the opportunity for a preventive war. This also explains France’s effort for rapprochement” (*ADAP* 1933-1937 III.2, 688). As Weinberg (1970) explains, “instead of clearing the air by removing a German grievance and a potential source of friction” (203), the French agreement to the Saar plebiscite “freed Germany from restraint and made the German leaders more exuberant and determined” (203-204), as was evidenced by the German decision to introduce conscription in March 1935 and the successful conclusion of the German-British Naval Pact which undermined the Versailles Treaty’s restrictions on Germany’s naval forces and broke the so-called “Stresa front”, which had formed to keep Germany’s revisionism in check.

#### *7.4.2 Coercing France I: the remilitarization of the Rhineland*

As pointed out above, Germany’s decision to remilitarize the Rhineland was one of the most significant coercive measures of the interwar period because it eliminated Germany’s open flank vis-à-vis France and allowed it to fortify its border. Although it is frequently asserted that Hitler took a major gamble when he decided to remilitarize the Rhineland and was on the verge of a nervous breakdown when he issued the marching



order because he feared military retribution (e.g., Fest 1973, 681), a closer examination of the sources suggests that Hitler was rather certain that this action would not trigger a military response.

With respect to Great Britain, Hitler took the British ambassador's muted response to his December 13, 1935 revelation that he wished to end the demilitarized status as a first indication that Britain would not take military action against Germany (*ADAP* 1933-1937 IV.2, 897). This impression was reinforced in early 1936 when the British government displayed its general willingness to negotiate the status of the Rhineland in return for an air pact (Emmerson 1977, 77). Similarly, the German leadership quickly ruled out that Italy would participate in any military reprisals against the occupation of the Rhineland because Mussolini, whose relations with France and Great Britain were severely strained over Italy's efforts to annex Ethiopia, repeatedly and explicitly promised that "Italy would take no action if Germany broke with the Locarno Pact" (Weinberg 1970, 249). After Hermann Göring had received a similar reassurance from the Polish Foreign Minister Josef Beck, an intervention by Poland was considered as extremely unlikely as well. According to Hitler, Germany also had little to fear from Russia, as he believed that with the current Russo-Japanese tensions, Russia was primarily interested in "quietude in the West" (quoted in Jacobsen and Jochmann 1961, 1).

Clearly, given France's high stakes in the status of the Rhineland, the critical question for the Nazi leadership was how France would react to a militarization of the Rhineland. While France's passivity in response to Germany's annexation of the Saar and the introduction of conscription boosted Hitler's confidence that France would not

respond with force to the militarization of the Rhineland (Leitz 2004, 41-45), it seems that Foreign Minister Konstantin Freiherr von Neurath's consistent reassurances that France would not respond militarily against Germany were just as important. While the reasons for von Neurath's confidence regarding France's inaction have remained in the dark for a long time, Shore's (1999) detailed examination of the Nazi leadership's decision to remilitarize the Rhineland shows that the German Foreign Ministry was in possession of intelligence which deemed a French military response as extremely unlikely. The critical element of this intelligence was a report produced by Gottfried Aschmann, the chief of the Foreign Ministry's press division, who obtained information from the French parliamentarian Jean Montigny, a confidant of Prime Minister Pierre Laval. The report stated the following:

“In Paris one begins to realise that Germany wants to overturn the current status, be it through real concerns or fictitious ones. One no longer sees it as an absolute *casus belli*, as in the recent past, but the politicians believe that a judgment on this matter must come first and foremost from the Army General Staff. There has naturally been discussion over the consequences, but to date no consensus has been reached. One group believes that given the extraordinary advances in military motorization, the entire question is less a matter of practical military significance than of moral value for the German self-image. Another group in the General Staff are of the opinion that remilitarization could only be accepted if a full reorganization of the border defence system were to take place and above all if the defensive garrisons were promptly improved. As the situation stands today, one is neither ready nor willing unhesitatingly to go to war over the eventuality of a German reoccupation [...]” (quoted in Shore 1999, 6).

The finding that the Nazi leadership was confident that the occupation of the Rhineland would not result in French military action is of critical importance for our argument that Franco-German interactions regarding the remilitarization of the Rhine match the theoretical models' key predictions regarding equilibria with security-related tying-hands signals of coercion. Recall from chapters 4 and 5 that the theoretical model suggests that the anticipation of power shifts will yield a situation in which a rising state sends either a security-related or audience cost-based signal of coercion if and only if it expects a declining state to be unwilling to take preventive action. Conversely, as soon as a rising state believes that a declining state finds that the anticipated change in relative capabilities justifies the costs of taking preventive action, a declining state ought to feel compelled to resort to reassurance in order to avert prevention. As laid out above, the Nazi leadership clearly held the former belief and, as a result, its decision to send a security-related tying-hands signal of coercion corroborates a central empirical implication of the theoretical model.

Furthermore, the available empirical evidence on Germany's decision-making calculus also supports the theoretical model's more fine-grained prediction that rising states will be careful not to overcoerce declining states because this may lead to preventive action. The Aschmann memorandum hints at this logic by emphasizing that "[i]f it becomes apparent that Germany merely wishes to regain her sovereignty in the Rhineland and wants to refrain from a provocative overmilitarization on France's border regions, then the entire affair need not necessarily result in excessive tension or danger." (quoted in Shore 1999, 6). Similarly, although von Neurath was quite certain that France would not respond militarily to the remilitarization of the Rhineland, "he would also

stress the need to limit the number of troops employed so as not to appear immediately hostile” (quoted in Shore 1999, 6). It is highly probable that it was precisely this line of reasoning which led to the decision to remilitarize the Rhineland with small German units, which were supported by local military police, rather than with a more formidable force. As Weinberg (1970) points out: “The initial troop deployment was kept small, establishing remilitarization while simultaneously showing that no attack across the French or Belgian border was intended” (253).

#### *7.4.3 Coercing France II: the annexation of the Sudetenland*

From the German perspective, the annexation of the Czech Sudetenland constituted the overture for the Nazi regime’s plan to conquer Eastern Europe and Russia. While the acquisition of Czech “living space” was an important policy goal in its own right, it also had an instrumental value as it further increased Germany’s relative capabilities vis-à-vis its Western neighbors, in particular France. That Hitler viewed the annexation of the Czech Republic as a stepping stone for his goal to further revise the status quo in Western Europe became particularly clear in the famous November 5, 1937 Hossbach conference. Here, Hitler declared to a select group of political and military leaders that the overriding “aim of German policy was to make secure and to preserve the racial community and to enlarge it” (*ADAP* 1937-1945 D.I, 25). Hitler warned that Germany “had to reckon with two hate-inspired antagonists, Britain and France, to whom a German colossus in the center of Europe was a thorn in the flesh” (27) and that “both countries were opposed to any further strengthening of Germany's position in Europe and overseas” (27). Hitler

pointed out that in order to deal with Great Britain and France, Germany would have to improve its “politico-military position” (29) by annexing Austria and Czechoslovakia which would “would mean shorter and better frontiers, the freeing of forces for other purposes, and the possibility of creating new units up to about 12 divisions, with one new division per one million inhabitants” (30).

One question that dominated much of Hitler’s presentation during the Hossbach conference concerned Great Britain’s and France’s reaction to the annexation of Austria and Czechoslovakia. Hitler urged that Germany had to initiate war between 1943 and 1945 by the latest, because after this time period, Germany’s “relative strength would decrease in relation to the rearmament which would by then have been carried out by the rest of the world” (*ADAP* 1937-1945 D.I, 29). Hitler also noted that it would be possible to become active before this time should France’s domestic political system further destabilize and “absorb the French Army completely and render it incapable of use for war against Germany” (29). Alternatively, Germany could initiate war if France were “so embroiled by a war with another state that she cannot ‘proceed’ against Germany” (29). In this scenario Germany’s first aim ought to be “to overthrow Czechoslovakia and Austria simultaneously in order to remove the threat to our flank in any possible operation against the west” (29-30). Hitler also noted that “almost certainly Britain, and probably France as well, had already tacitly written off the Czechs and were reconciled to the fact that this question would be cleared up in due course by Germany” (30) and that “[a]n attack by France without British support, and with the prospect of the offensive being brought to a standstill on our western fortifications, was hardly probable” (30).

While in subsequent deliberations the Nazi leadership quickly and - as it turned out - correctly concluded that Western powers would acquiesce to the annexation of Austria (see Weinberg 1970, 87-106), the question of whether Great Britain and France would remain passive with respect to Germany's designs on Czechoslovakia remained highly contested. According to the Hossbach memorandum, Field Marshal Werner von Blomberg and Colonel General Werner von Fritsch raised this point in response to Hitler's presentation by emphasizing that "Britain and France must not appear in the role of our enemies" (*ADAP* 1937-1945 D.I, 32) and "that the French Army would not be so committed by the war with Italy that France could not simultaneously enter the field with forces superior to ours on our western frontier" (32). Hitler, however, insisted that "he was convinced of Britain's nonparticipation, and therefore he did not believe in the probability of belligerent action by France against Germany" (32).

Hitler also believed that running a propaganda campaign that highlighted the alleged grievances of the German minority in Czechoslovakia could "assist in the moral and hence diplomatic isolating of Czechoslovakia from that assistance by the Western Powers which Hitler believed unlikely but his advisors claimed to be probable" (Weinberg 1980, 41). Indeed, Hitler took von Blomberg and von Fritsch's reservations as indications of disloyalty, which contributed to his decision to oust them only a few weeks later. As similar fate awaited General Ludwig Beck, who had to resign in August 1938 when Hitler learned about Beck's July memorandum in which Beck claimed that a war against Czechoslovakia could not be localized and would turn into a continental war of "life and death for Germany" (quoted in Overy 1999, 206).

Meanwhile, Hitler continued with his anti-Czech propaganda campaign and instructed the nationalist leader of the Sudeten minority Konrad Henlein to raise his demands so that they would be unacceptable for the Czechoslovakian government. Furthermore, in early 1938, Hitler met repeatedly with High Commander of the Armed Forces Wilhelm Keitel to discuss the details of “Case Green”, the military campaign against Czechoslovakia. While Hitler held on to his plan to take military action against Czechoslovakia, he highlighted that the German attack should not happen out of the “blue sky” (quoted in Jacobsen 1968, 443) and that a pretext was necessary. Furthermore, he pointed out that a “quick strike on the basis of some incident” (quoted in Jacobsen 1968, 443-444) would be the safest option to make sure that the attack against Czechoslovakia would not lead to a pan-European war.

The historical record suggests that Hitler continued to believe that France and Great Britain would not intervene and held on to his plan to dismember and absorb Czechoslovakia by force until September 1938. For instance, on September 1, 1938, Minister of Propaganda Joseph Goebbels wrote in his diary that Hitler “does not believe that London will intervene and is firmly resolved on action” (quoted in Fröhlich 1987, 525). Likewise, during a September 2, 1938 meeting with the Hungarian regent Admiral Nicholas Horthy, Hitler noted that “England and France according to the German view will not intervene” (quoted in Overy 1999, 205).

Later that month, Hitler changed his mind and decided to not take violent action against Czechoslovakia. According to Weinberg (1980), one reason for Hitler’s reconsideration was the “anything but enthusiastic” (451) response of the German public to the military parade in Berlin on September 27, 1938, which offered “a grim sign of the

imminence of war” (451). Moreover, in late September, it became increasingly clear that Germany would be diplomatically isolated if it decided to attack Czechoslovakia: Hitler knew that neither Hungary, nor Poland and most importantly Italy were likely to join Germany in a war against Czechoslovakia. Also, the Soviet Minister Maxim Litvinov warned that the Soviet Union intended to live up to the Soviet-Czech pact in the event of a German attack (Overy 1999, 205).

However, the most important reason why Hitler decided to refrain from taking violent action against Czechoslovakia was that France and Great Britain started to issue overt threats that they would intervene on behalf of Czechoslovakia. Although Ernst von Weizsäcker, state secretary in the Foreign Office, already told Ambassador Ulrich von Hassel on September 12 that he had little doubt that Chamberlain “would go to war if Germany used force” (von Hassel 1948, 12), it seems that Hitler did not decide to refrain from attacking Czechoslovakia until his second meeting with Chamberlain’s emissary on September 27, 1938. In this meeting, Wilson told Hitler twice that France would live up to its treaty commitment to Czechoslovakia if Germany decided to attack and that “England would feel obligated [...] to help France” (*ADAP* 1937-1945 D.II, 772).

Although Ribbentrop believed that Great Britain and France were bluffing, Hitler became increasingly convinced that the threat of intervention was genuine, especially when news of the British fleet mobilization reached Berlin in the morning of September 28. On the same morning, Hitler met with Ambassador François-Poncet who iterated the French commitment to take military action in case of a German invasion of Czechoslovakia and received a message from the Italian ambassador who (on behalf of Mussolini and Chamberlain) urged Hitler to postpone mobilization and suggested to hold



a conference on Czechoslovakia. After François-Poncet left, Hitler met with Göring and von Neurath who tried to convince Hitler not to risk a general war. When von Neurath asked Hitler whether he wanted to “wage war whatever the case” (quoted in Overy 1999, 209), Hitler replied: “What do you mean? Whatever the case? Obviously not!” (209). Impressed by the British and French threat, Hitler decided to accept Mussolini’s suggestion for a summit meeting and chose Munich as the venue (Overy 1999, 208-209).

Hitler’s decision-making calculus with respect to his desire to destroy and absorb Czechoslovakia closely corresponds with the predictions of the theoretical model. As shown by the Hossbach memorandum, Hitler viewed the annexation of Czechoslovakia perhaps not exclusively, but to a large extent as a means to further increase Germany’s power position vis-à-vis its Western neighbors, especially France. In that respect, Hitler’s plan to dismember Czechoslovakia had the properties of a security-related tying-hands signal of coercion. Furthermore, Hitler’s belief that France as well as Great Britain would tolerate an attack against Czechoslovakia constituted a key component in Hitler’s decision-making calculus.

The fact that Hitler decided to drop his original plan of attacking Czechoslovakia in late September 1938 offers further support for the logic of the theoretical model, as it conforms to the prediction that a rising state will be careful not to overcoerce a declining state in order to avoid provoking it into taking preventive action. Although the Munich agreement allowed Nazi Germany to annex the Sudetenland, it is worth emphasizing that it fell short of Hitler’s true aim, which was not to bring an end to the grievances of the German minority, but to dismember and absorb all of Czechoslovakia. As Weinberg (1980) points out: “The flaw [...] was that Hitler had been trapped into settling for what

he publicly claimed rather than what he really wanted and had persistently told his associates he would get [...] a war to destroy Czechoslovakia” (462). Yet, Hitler felt that this partial retreat was necessary as he reconsidered his conviction that he could attack Czechoslovakia without risking a costly war with France and Great Britain -- which supports the theoretical proposition that the severity of coercion should decrease as a rising state’s fear of being subjected to preventive action increases. Moreover, even though Hitler’s reconsideration of his plans to go to war with Czechoslovakia had probably various reasons, his fear of a military reprise was indeed critical as predicted by the model. As Overy (1999) concludes: “From the point of view of explaining Hitler’s decision not to launch war, it was the perception of the possibility of intervention, with all the military complications and domestic political difficulties that might have flowed from it that forced him to abandon war” (209).

## **7.5 Summary**

The theoretical model laid out in chapters 4 and 5 suggests that opposing rising and declining states may settle on an equilibrium in which the declining state does not only refrain from taking preventive action but also tolerates a rising state’s concerted efforts to further increase its relative power position. There are two conditions for such a coercive equilibrium with security-related tying-hands signals to materialize: *(i)* that the costs of preventive action are sufficiently high to deter a declining state from resorting to preventive action, and *(ii)* that a rising state is confident that a declining state’s unwillingness to take preventive action is sufficiently great so it can further exploit its gain in relative capabilities without provoking an attack. Furthermore, the theoretical

model suggests that in these situations, a rising state is tempted to coerce its declining opponent just short of provoking preventive action unless the rising state incurs significant opportunity costs for coercion, for instance due to domestic and third-party opposition to coercive action.

The dynamics of Franco-German relations between 1933 and 1938 accord well with the logic of the theoretical model. While France was fearful of Germany's gain in relative capabilities, it refrained from taking preventive action because the French government viewed such an action due to the dismal state of its offensive forces and the lack of British military support as prohibitively costly (see also Ripsman and Levy 2007). These two factors also proved critical for France's acquiescence to what seemed were rather provocative moves by Nazi Germany on top of its rearmament efforts: the remilitarization of the Rhineland in 1936 and the annexation of the Sudetenland and the absorption of its resources in 1938. Counterfactually speaking, the logic of the model suggests that if Britain had offered military assistance to France and if France's military forces had had a more offensive configuration, France would have been more likely to respond to the militarization of the Rhineland and the annexation of the Sudetenland with military action.

Counterfactual speculation also highlights a key difference between an orthodox decision-theoretic explanation of Franco-German relations before World War II and the strategic interpretation proposed in this dissertation. A decision-theoretic logic suggests that France's unwillingness to take preventive action was solely due to structural factors, i.e., the dismal state of France's offensive forces and the lack of British support. From a strategic point of view, this interpretation of France's decision-making calculus remains

insufficient as it suggests that France would have tolerated any behavior by Germany. While it is conceivable that France would have also acquiesced to a more open and decisive militarization of the Rhineland, France's willingness to tolerate coercion does not appear to have been boundless. For instance, it seems unlikely that France would have acquiesced to even a minor violation the Franco-German border. The conditions of the Munich agreement offer even stronger support for the argument that a purely decision-theoretic account of France's decision to refrain from taking military action against Germany in 1938 remains incomplete. While France's lack of faith in its own military forces and its uncertainty whether Britain would support France in meeting its alliance obligations to Czechoslovakia were major reasons for France's inaction, it is difficult to deny Germany's decision not to attack Czechoslovakia but to settle for the annexation of the Sudetenland also played a key role for France's willingness to acquiesce. But again, strictly speaking, the notion that France's behavior was conditional on Germany's willingness to limit the coerciveness of its policies in both 1936 and 1938 is outside the purview of a decision-theoretic approach.

The value-added of the formal model developed in this dissertation becomes even more evident in that it provides a rationale for Germany's behavior towards France, which orthodox decision-theoretic models of preventive action entirely neglect (see e.g., Ripsman and Levy 2007). As predicted by the model, the question of whether France would take preventive action was of vital importance for Germany's decision-making calculus regarding the remilitarization of the Rhineland and the annexation of the Sudeten areas. Although the Nazi leadership was rather certain that France would acquiesce to the militarization of the Rhineland, it tried to reduce the provocativeness of this move by

initially sending only a small contingent into the area -- which supports the argument that rising states try to avoid overcoercing their declining opponents. Indeed, given Germany's desire to avoid a military confrontation with France, one is tempted to believe that in line with the logic of the theoretical model, France could have deterred or at least delayed Germany's militarization of the Rhineland if it had managed to convince the German leadership that it would respond militarily to such an action.

The German desire not to provoke France into taking military action is even more apparent in Germany's decision-making calculus regarding the annexation of the Sudetenland: until September 1938, Hitler was certain that France would not honor its alliance obligation to Czechoslovakia and planned to attack and dismember Czechoslovakia. Later that month, when there was increasing evidence that France would not simply stand aside and watch Germany attack Czechoslovakia, Hitler revised his original goal and decided to accept the annexation of the Sudeten territories instead. Again, this dynamic closely follows the logic of the model, which predicts that the coerciveness of a rising state's behavior is decreasing in the likelihood of preventive action.

All in all, it seems fair to conclude that the theoretical model provides a rather compelling theoretical rationale for some of the key aspects of Franco-German relations between 1933 and 1939. Yet, it is also instructive to highlight two important non-findings. The first non-finding concerns Germany's decision to coerce France with security-related tying-hands rather than audience cost-based signals. There is virtually no evidence that the Nazi government ever considered to coerce France by rhetorical means only. Due to this counterfactual and the lack of empirical evidence, one can only

speculate why this was the case, but it seems that Hitler simply did not think that France would give in to his long-term hegemonial aspirations in Europe solely on the basis of a threat to take military action otherwise. Importantly, however, this line of reasoning is at odds with the model's working assumption that, *prima facie*, verbal signals of coercion are just as effective as security-related tying-hands signals and that their choice is not a matter of effectiveness but of opportunity costs.

Unfortunately, given the empirical evidence it is hard to determine whether to what extent Hitler was concerned with the opportunity costs of coercing France. While Hitler certainly took the broader international ramifications of militarizing the Rhineland and the annexation of the Sudetenland into account, it seems that domestic public opinion played no constraining role for Hitler's decision-making calculus because the Versailles provisions were generally despised and because the domestic totalitarian structure made potential dissent largely irrelevant. Overall, it seems fair to conclude that Hitler considered the opportunity costs for coercing France - especially given the totalitarian domestic political structure - to be rather low.

Second, the fact that Nazi Germany attacked France in 1940 is also at odds with the predictions of the theoretical model. Recall that the model predicts that a coercive equilibrium will not result in war after a power shift has materialized. While there is no denying that this an anomaly for the theoretical model, it ought to be kept in mind that the model's primary purpose is to explain the occurrence and absence of preventive action as well as a rising and declining state's interaction prior to a power shift, and not so much to explain the occurrence of violent conflicts after a power shift. Hence, even though the

fact that Germany eventually attacked France damages the theoretical model, it seems that the damage is relatively minor.

A brief summary of the preceding case study's key findings is provided in the table below.

**Table 4: Franco-German relations, 1933-1938: Key findings**

<b><i>Parameter values</i></b>	<b><i>Coding</i></b>	<b><i>Empirical referents</i></b>
<b>Size of anticipated power shift</b>	<i>medium to high</i>	<i>Germany's rearmament program</i>
<b>Costs of conflict/prevention</b>	<i>high</i>	<i>dismal state of France's offensive forces; lack of British support</i>
<b>Opportunity costs</b>	<i>low to medium</i>	<i>lack of political opposition to coercion; totalitarian domestic political structure in Germany</i>
<b><i>Behavioral predictions</i></b>	<b><i>Predicted</i></b>	<b><i>Realized</i></b>
<b>Rising state</b>	<i>SRTH or AC coercion</i>	<i>SRTH coercion: remilitarization of the Rhineland; annexation of the Sudetenland</i>
<b>Declining state</b>	<i>acquiescence</i>	<i>France's decision to refrain from preventive action</i>
<b>Outcome</b>	<i>peace</i>	<i>peace, but only until 1940</i>

## 8 Israel's fears and Egypt's policy of passivity, 1952-1956

### 8.1 Overview

On January 2, 1956, a few weeks after the Egyptian government confirmed rumors that it had secured a major arms purchase from Czechoslovakia, Israel's Prime Minister David Ben-Gurion (1973) told the *Knesset* that even though the "'Czech deal' has transformed the [security] situation in the gravest and most dangerous manner" (273), Israel should not wage a preventive war as "any war [...] involves havoc and destruction for both sides and intensifies hatred between two peoples" (271). Yet, barely nine months later, in the fall of 1956, the Israeli government initiated the second Arab-Israeli war by invading the Sinai desert. What accounts for this result?

Although the following case study concurs with the conclusion that Israel's decision to initiate the 1956 Sinai campaign was motivated by Israel's desire to thwart Egypt's rise in the Middle East and was propelled by France's and Great Britain's unexpected promise of military support (Levy and Gochal 2001/2002), it also suggests that these two factors offer an incomplete explanation for Israel's decision to take violent preventive action against Egypt. As proposed by the theoretical model developed in chapters 4 and 5, declining states should rarely act on their preventive motivation because rising states will have strong incentives to reassure their declining opponents of their peaceful intentions. Consequently, from the perspective of the theoretical model developed in this dissertation and in contrast with the extant theoretical approaches on preventive war (see chapter 3), the key puzzle in explaining the 1956 Sinai campaign does not so much concern the structural factors that induced Israel to take preventive



action, but Egypt's failure to reassure Israel that it did not have to fear Egypt's gain in relative capabilities.

Recall that the theoretical model proposes that rising states resort to a strategy of reassurance if (i) they expect that they will be subjected to preventive action and (ii) they do not incur significant opportunity costs for issuing signals of reassurance. Hence, in order to account for Egypt's lack of reassurance, the theoretical model developed in chapters 4 and 5 predicts that the Egyptian government did not expect preventive action by Israel to be likely and/or viewed the opportunity costs of pursuing a strategy of reassurance to be sufficiently high.

The empirical analysis supports both propositions. First, most of the secondary source historical literature suggests that Nasser greatly underestimated Israel's actual willingness to take preventive action against Egypt, which suggests that President Gamal Abdul Nasser felt insufficient pressure to reassure Israel of Egypt's peaceful intentions. Second, there is explicit evidence that high opportunity costs – namely Nasser's conviction that seeking a sustainable settlement with Israel would jeopardize his political standing in Egypt and the Arab world – were also a decisive reason for Egypt's failure to reassure Israel. Because of these political constraints, it seems doubtful that Nasser would have pursued a radically different foreign policy vis-à-vis Israel even if he had taken Israel's preventive motivation more seriously.

The following sections spell out these theoretical and empirical arguments in more detail. The next section (8.2) describes the historical background of Israeli-Egyptian relations between 1948 and the early 1950s. As will be shown below, Israeli-Egyptian relations were marked by mutual hostility and unresolved territorial issues ever since the

birth of Israel in 1948. Section 8.3 takes a closer look at Israel's reaction to the so-called "Czech" arms deal, which was announced in the fall of 1955. Although the Czech arms deal instilled significant fears in Israel that Egypt might attack once it had absorbed these arms (see section 8.3.1), the Israeli government initially decided against taking preventive action because it feared that Egypt would respond with an aerial attack on Israeli cities and because Israel wanted to avoid being alienated from the Western powers. In mid-1956, Israel's decision-making calculus changed in favor of taking preventive action as Israel saw and seized the opportunity of secretly joining France and Great Britain in their attack on Egypt, which effectively reduced Israel's costs of taking preventive action to a tolerable level (section 8.3.2).

Section 8.4 examines Israeli-Egyptian relations leading up to the 1956 Sinai campaign from the Egyptian point of view. Section 8.4.1 demonstrates that the Egyptian leadership, namely Nasser, was aware of Israel's fears of its relative decline in the wake of the Czech arms deal but had several reasons to doubt Israel's willingness to execute a preventive attack -- which helps explain why Egypt did not engage in the strategy of reassurance. Section 8.4.2 suggests that Nasser's concern that significant steps to improve relations with Israel would lead to a political backlash in Egypt and the Arab world was an additional (if not the key) reason why Nasser refrained from effectively reassuring Israel that Egypt would not exploit its gain in relative capabilities in the future. Section 8.5 offers a summary and a further discussion of the strengths and weakness of the theoretical model in light of the results of the case study.

## 8.2 Historical Background

Israeli-Egyptian relations were conflict-laden from the very beginning: when David Ben-Gurion proclaimed Israel a state on May 14, 1948, Egypt, Iraq, Jordan, Lebanon and Syria immediately attacked, fulfilling their pledge not to accept the 1947 United Nations Partition Plan for Palestine, which called for the creation of two provisional Jewish and Arab states. For Egypt and Israel, the 1948 Arab-Israeli War - also known as the “War of Independence” in Israel and as “The Catastrophe” (Al Nakbar) in the Arab-Palestinian world - effectively ended with the defeat of the Egyptian army in Sinai in January 1949, which led to the Egypt-Israel Armistice Agreement (EIAA) signed on February 24, 1949. In terms of territorial gains, Israel was clearly the winner of the war, controlling about 50 per cent more territory than the UN Partition Plan had originally allotted to Israel. Egypt occupied the Gaza Strip with around 300,000 people, most of them refugees.

Although the formal armistice agreement brought an end to full-scale fighting, it left “Arab grievances unredressed and Israeli objectives unfulfilled” (Love 1970, 42). This became particularly evident when Israel and Egypt failed to transform the armistice agreement into a peace agreement. Egypt continually pointed out that the armistice had not ended the formal state of war, while Israel argued that the Armistice - as noted in its preamble - constituted an interim stage towards peace.

Three issues dominated Israeli-Egyptian relations after the war: the status of Jerusalem, the future of the refugees and most importantly, the borders. The Arab states, including Egypt, demanded that Israel internationalize the city of Jerusalem, allow for the return of the refugees and return to the Partition Plan’s borders. Israel opposed these demands, especially the territorial demands, and argued that the provisions of the

Partition Plan had been rendered meaningless as a result of the Arab aggression. Interestingly, behind the scenes, the Arab countries indicated their willingness to compromise on these issues in return for territorial concessions, which Israel rejected. According to Oren (1992) “the failure of efforts to reach a settlement owed less to Israeli intransigence than to the Arabs’ fears of violent domestic repercussions to any agreement with Israel” (6), which also prevented the United States, Great Britain and France “from putting pressure on Israel to make the substantive sacrifices for a settlement” (6).

Hence, in public, Arab and Egyptian leaders maintained a high degree of pressure on Israel by repeatedly promising to alter the status quo by fighting a “second round” against Israel. More importantly, Egypt also maintained its blockade of the Suez Canal it had imposed during the war and fortified and subsequently blocked the Gulf of Aqaba in the summer of 1951, barring Israeli ships and goods from taking a direct route to the Persian Gulf, the Far East and Asia. As a result, Israel had to rely on expensive oil imports from the Western hemisphere which put an additional strain on Israel’s already feeble economy (Sicker 1989, 67). Israel appealed to the United Nations Truce Supervisory Organization (UNTSO), which declared the Egyptian blockade a hostile and aggressive act in violation of the Armistice Agreement June 1951. About two months later, the United Nations Security Council agreed with this assessment and demanded that Egypt lift all restrictions on the transit of Israeli ships through the Suez Canal. However, the Security Council resolution was never enforced as the new conservative British government, which was the only permanent Security Council member with troops in the area, decided against exerting pressure on the Egyptian government to comply with the UN resolution (Kyle 1991, 37-38).

The border situation also constituted a source of tension between Israel and Egypt. Although the Armistice Demarcation Lines (ADL) did not formally establish territorial or political borders, Israel started to build settlements and barricades along the ADL for protection and to give them an air of legality, which Egypt tried to prevent. The areas around al-Aujah and the Gaza Strip were particularly problematic. Al-Aujah was declared a Demilitarized Zone (DZ) by the EIAA due to its strategic importance for accessing the Negev and Sinai deserts. Much to the chagrin of the Egyptians, the Mixed Armistice Commission had allowed Israel to establish a foothold in al-Aujah by granting Israel to station a civilian police in the zone (Sicker 1989, 70). By contrast, the Gaza Strip was placed under Egyptian trusteeship under the EIAA. The fact that the Gaza Strip was inhabited by over 200,000 Palestinian refugees, who wanted to reclaim their homes and were facing steadily deteriorating living conditions, put the Egyptian government under immense pressure: although the Egyptian government wanted to respond to Palestinian grievances, it also tried avoid a confrontation Israel. According to Oren (1992), Egypt tried to solve this dilemma by “publicly opposing infiltration while secretly harnessing a portion of it for the purposes of sabotage and intelligence gathering” (11).

While there is some debate on the severity of illegal border crossings and raids and the degree to which the Egyptian government sponsored these activities in the first post-war years (see e.g., Morris 1993, 28-96), the Israeli government certainly held the Egyptian government accountable. On October 21, 1950, after two Israel Defense Force (IDF) officers had been shot by infiltrators, Israel launched its first retaliatory strike on Gaza, resulting in the death of several refugees and significant property damage. Facilitated by domestic unrest in Egypt in the early 1950s, the level of infiltration from

Gaza increased significantly, which induced the IDF to increase its raids on Gaza (Oren 1992, 10-13).

Egyptian armament efforts also put a strain on Egyptian-Israeli relations in the immediate post-war years. Although Israel strongly campaigned for U.S. arms assistance, its efforts were rebuffed because the American government believed that Israel was already sufficiently armed. Egypt, on the other hand, was successful and obtained a shipment of 11 jet airplanes out of a total order of 100 from Great Britain in April 1950. The Israeli government was furious and complained that the Western Powers' behavior was "fostering an arms race in the Near East and encouraging the Arabs to resume hostilities" (quoted in Caplan 1997, 150). In May 1950, the British, American and French governments issued the Tripartite Declaration in which they recognized that "the Arab states and Israel all need to maintain a certain level of armed forces" (quoted in Caplan 1997, 297) for internal and external security and that "[a]ll applications for arms of war material for these countries will be considered in the light of these principles" (297). Although the Tripartite Declaration, with which the Western powers also pledged to intervene should either side resort to aggression, was intended to stabilize Israeli-Arab relations, it did not ban arms shipments altogether: Britain continued to supply Iraq, Egypt, and Jordan with weapons, while France sold arms to Syria and Lebanon. Furthermore, in January 1952 (and in November 1952), the United States offered Egypt the sale of armored cars, jeeps, and machine guns for 1 million U.S. dollars in order to support King Faruk's weakening regime. Fearing to lose its role as the "habitual source" of arms supplies in the region, Great Britain subsequently sold 15 fighter jets to Egypt, and 14 to Israel, Syria, Lebanon and Iraq (Oren 1992, 78-79). The Israeli government

strongly protested these arms deliveries, but Great Britain and the United States argued that their arms shipments were necessary to maintain peace and strengthen the Western influence in the Arab world.

### **8.3 The Israeli Perspective**

#### *8.3.1 Israel's fears of decline*

With its relative economic and military prowess and its strong aspirations to achieve regional hegemony, Egypt was Israel's most formidable opponent in the Arab world. Yet, in July 1952, when the Egyptian Free Officers - who were led, among others, by Gamal Abdul Nasser and Anwar Sadat - disposed of the Farouk regime and brought General Mohammed Naguib to power, the Israeli government believed that there could be peace with Egypt. In his August 1952 address to the *Knesset*, Prime Minister Ben-Gurion declared:

The events that have taken place in Egypt during the past few weeks should be welcomed, and we are prepared to accept the testimony of Mohammad Naguib that he and most of his colleagues were opposed to the invasion of Israel [...] The two countries are separated by a broad and extensive desert, and there is no room for border disputes; there was not, nor is there now, any reason for political, economic, or territorial antagonism between the two neighbors. Israel wishes to see a free, independent, and progressive Egypt. (Ben-Gurion 1963, 64-65)

Israel's initial optimism seemed justified because the regime change led to a decrease in tensions at the Gaza border and to a drop in the level of infiltrations (Morris 1993, 271).

Also, the new Egyptian government increased the level of cooperation in the Egypt-Israel Mutual Armistice Commission (EIMAC). However, these improvements were short-lived as the Revolutionary Command Council's (RCC) move towards conciliation was strongly criticized by the Muslim Brotherhood and Wafd politicians, who were strongest domestic opponents of the Free Officers, and also received negative responses from the Iraqi government. To cater to these domestic and international pressures, the RCC assumed a more antagonistic stance towards Israel and tried to sabotage West Germany's reparations treaty with Israel, intensified the blockade on Israel-bound shipping through the Suez Canal and rejected Israel's peace feelers (Oren 1992, 15).

Consequently, and just four months after his optimistic speech at the *Knesset*, Ben-Gurion concluded in a meeting with foreign ministry officials that it would be dangerous to put any faith in the new Egyptian regime and that the Free Officers would only respond to demonstrations of power (Oren 1992, 15). From 1953 onwards, Ben-Gurion advocated a policy of severe and prompt military retaliation of Arabs who crossed the armistice lines (Shlaim 1983, 181). General Moshe Dayan turned out to be a particularly staunch supporter of this policy and increased not only the severity of the retaliatory attacks, but also began to attack military targets.

In 1953, Israeli-Egyptians relations remained poor, yet relatively stable. Despite a few border clashes, the border was relatively quiet in 1953. Between 1953 and September 1954 Israel repeatedly signaled its willingness to negotiate a settlement by offering concessions including transit rights to the Negev, refugee compensation and the opening up of Israeli ports for Arab vessels (Shimshoni 1988, 133). However, Israel's attempts to conciliate with Egypt as well as international peace initiatives bore no fruit as the



Egyptian leadership stuck to its “no war, no peace” policy (see Oren 1992, 104-177). In late 1953, Israeli-Egyptian relations started to deteriorate as the Voice of the Arabs radio station in Cairo began broadcasting anti-Israeli propaganda and the Egyptian government decided to tighten the blockade of the Suez Canal.

In 1954, Israel’s relations with Egypt worsened despite the fact that the dovish Moshe Sharrett had replaced the relatively hawkish Ben-Gurion as Prime Minister and Nasser - who had shown a strong interest secret negotiations on tension reducing measures earlier - had ousted Naguib and consolidated his power in the RCC in April 1954 (Oren 1992, 104). In early 1954, border infiltrations, which included acts of sabotage, looting and murder, increased sharply and also led to the first fire exchange between Israeli and Egyptian bunkers (Shimshoni 1988, 77). In an effort to derail the Anglo-Egyptian negotiations on the British evacuation of the Suez Canal, which dismayed the Israeli leadership because they viewed the British presence as a deterrent to an Egyptian invasion, Israel decided to send the merchant ship *Bat-Galim* through the Suez Canal in September 1954. The Egyptian government captured the ship, impounded it and seized its freight. Furthermore, the Israeli crewmen were tortured and temporarily imprisoned. Although the *Bat-Galim* incident presented another major setback for Israeli-Egyptian relations, it induced the Egyptian government to temporarily curb border infiltrations and military action by regular Egyptian forces (Morris 1993, 320-321).

The Egyptian exposure of an Israeli intelligence cell in Egypt put an additional strain on Israeli-Egyptian relations. Under the leadership of several Israeli intelligence officers, a group of Egyptian Jews conspired to commit arson against British and American institutions in Cairo and Alexandria in order to create chaos and persuade the

Western powers that Egypt was unable to protect the Suez Canal after the British evacuation. Despite Sharrett's efforts plead for clemency, two of the defendants were sentenced to death and executed in January 1955 after Max Binnet, the Israeli agent, had already committed suicide in his cell (Oren 1992, 52-55).

The implementation of the death sentences had a significant impact on Israel's policy towards Egypt as did not only lead the to abrupt termination of Israel's peace feelers, but also proved instrumental in Ben-Gurion's return to office as Minister of Defense as Pinhas Lavon had to leave office over the affair. Furthermore, as Morris (1993) points out "[i]t was almost immediately clear to all observers that Israel would take reprisals" (319). The reprisal came in the form of the infamous February 1955 Gaza raid, which "heralded a new era in Israeli-Egyptian relations" (Shimshoni 1988, 79). Two nights after a group of infiltrators from the Gaza Strip had killed one Israeli civilian near Tel Aviv, the IDF raided an Egyptian military camp near the Gaza train station and wounded 28 and killed 38 Egyptian soldiers. Although Nasser called the Gaza raid a "turning point" (quoted in Love 1970, 83) and decided to increase his force levels in the Gaza and Sinai areas by 15,000 soldiers, the Egyptian government's immediate response to the Gaza raid was rather restrained.

In March 1955, after the first Egyptian-sponsored Fedayeen attacks on two Israeli settlements, Ben-Gurion launched an unsuccessful attempt to obtain cabinet approval for conquering of the Gaza Strip (Shimshoni 1988, 83). In May, Ben-Gurion and Dayan were also seriously considering to break the Straits of Tiran blockade by force. However, Nasser received intelligence concerning this plan and decided to strengthen the fortification at the Straits of Tiran and tighten the blockade (Oren 1992, 132-133). At the

same time, Israel's increasingly harsh policy seemed at least somewhat effective since the Gaza Strip frontier remained relatively quiet until the late summer, when the Egyptian-Israeli "Gaza talks" on a localized agreement to end border incidents were broken off (Golani 1998, 8-9).

Meanwhile, elections were held in Israel and Ben-Gurion was charged with heading the new government. With Ben-Gurion's return to the office of Prime Minister and Moshe Sharrett's retirement, Israel's policy vis-à-vis Egypt became more hawkish again. After the Gaza talks had failed, the Egyptian government ordered its troops to increase its attacks on Israeli patrols and, even more importantly, launched massive Fedayeen operations in southern Israel in response to an Israeli storm on an Egyptian unit in the Gaza Strip in August. The Fedayeen attacks led to public outrage in Israel and were strongly condemned by the Foreign Ministry, which declared that the "armistice agreement between Egypt and Israel was thus rendered virtually inoperative" (quoted in Morris 1993, 346) as "Egypt has embarked on a course designed to destroy security, subject the Israel Defence Army [sic] to a constant challenge and drive terror into the hearts of a peaceful, hard-working population" (346). Furthermore, the IDF undertook a large-scale raid on the Khan Yunis fortress in the Gaza Strip, shot down two Egyptian airplanes on September 1 and continued to subject the Gaza Strip frontier to incessant artillery fire until September 4 (Golani 1998, 10-11).

Gamal Abdul Nasser's announcement that Egypt had concluded a commercial agreement with Czechoslovakia in return for a large-scale shipment of weapons on

September 27, 1955, led to a watershed in Israeli-Egyptian relations.<sup>1</sup> While the Israeli government was used to hearing about arms deals between Arab and Western countries and “and was never seriously concerned” (Bar-On 1994, 2), it became alarmed as the intelligence regarding the sheer size of the 450 million U.S. dollars Soviet arms shipment via the Czech proxy started to trickle in.<sup>2</sup> On October 3, 1955, Moshe Sharrett, who was still Prime Minister until November, convened the government for an extraordinary meeting and produced an official statement with which the Israeli government expressed its “serious concern in light of the imminent reinforcement of Egypt’s armed power which is liable to further exacerbate the disparity and encourage Egypt to aggression towards Israel” (quoted in Bar-On 1994, 3).

Furthermore, the Israeli decision-making elite was convinced that Egypt would soon exploit its massive gain in relative capabilities and attack Israel. For instance, on October 26, Dayan told the General Staff that “Egypt would not have made such a deal for trivial reasons” (quoted in Golani 1998, 18). Ben-Gurion was even more explicit when he claimed at a staff meeting on December 1 that the “Egyptians will attack in the early summer, we must not assume that they will not, common sense says they may attack once they feel they have a chance of winning” (quoted in Golani 1998, 18). A month later, Ben-Gurion again warned the *Knesset* of the “terrible danger and the deadly purpose” (Ben-Gurion 1973, 273) of the Czech arms which were “intended solely for aggression against Israel” (273).

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<sup>1</sup> According to Heikal (1978, 60-61), Nasser’s decision to publicly announce the Czech arms deal was driven by his knowledge that intelligence had already been leaked to the Western powers and Nasser’s belief that a public announcement would undermine American efforts to sabotage the deal.

<sup>2</sup> The Czech arms deal included 400 to 500 armored vehicles, 100 to 150 MiG fighters, 50 to 70 Alation bombers, 20 Alation transports, around 600 artillery pieces, 2 destroyers, about 15 torpedo boats, 4 to 15 minesweepers, 2 to 6 submarines, and 2 radar stations, and large quantities of small arms (see Levy and Gochal 2001/2002, 23 for these estimates).

According to Mordechai Bar-On (1994), who was Moshe Dayan's personal assistant during the Suez campaign, the "Israeli military establishment and the Israeli public" (24) also "assessed Arab intentions in general, and Egyptian intentions in particular, as aggressive; until the transaction, however, the general feeling had been that such intentions could not be realized or effected" (24). Moreover, he notes that the Czech arms deal "provoked fears of Nasser's having acquired the ability to realize these intentions, and therefore the assessment that eventually emerged was that he was liable to embark on a 'second round' sometime in the summer of 1956" (24).

Notably, apart from proclaiming that Egypt "never intended to strengthen the Army for wars [but] for the sake of peace" (quoted in Love 1970, 249), the Egyptian government and Nasser in particular did little to mollify Israel's fear that it might exploit its gain in relative capabilities in the future. Instead of reassuring Israel that Egypt would not exploit its increase in relative capabilities to revise the status quo, Nasser took several actions that further aggravated the Israeli leadership, including the announcement that the airspace above the Gulf of Eilat would be closed in September (Golani 1998, 14), the conclusion of a defense pact with Syria in September, the dispatchment of Egyptian troops into the demilitarized zone of al-Auja on October 26 (Sicker 1989, 71), as well as the opening of negotiations with Moscow to purchase an additional 100 MiGs and *Ilyushins* after the first batch of the "Czech" arms had arrived in December 1955 (Oren 1992, 92).

In light of the theoretical model laid out in chapters 4 and 5, it is not surprising that the announcement of the Czech arms deal and Nasser's failure to send any meaningful signal of reassurance induced Ben-Gurion and his supporters to seriously

consider taking preventive action against Egypt. According to Morris (1993), the first recorded response of Ben-Gurion to the news of the Czech arms deal was: “If they really get MiGs - I will be for bombing them!” (278). Furthermore, in October 1955, Ben-Gurion advocated to seize the opportunity to launch Operation Omer to forcefully pry open the blockade on the Straits of Tiran. In order to be successful, he urged for Operation Omer to be carried out quickly, i.e., before the Egyptian army could absorb the Soviet weapons, which Ben-Gurion estimated would take about 6 to 8 months. Accordingly, Ben-Gurion instructed Dayan on October 23 to ready the IDF to send an infantry down the eastern coast to Sharm-el Sheik and have the air force fly an attack to the destroy Egypt’s jets (Golani 1998, 15).

Ben-Gurion received support for his plans from important actors within the Egyptian government. For instance, Isser Harel, the head of *Mossad*, echoed Ben-Gurion’s sentiment by arguing that the Czech arms deal “is no more than a well-prepared plan to achieve total and immediate advantage over Israel” (quoted in Bar-On 1994, 4) and that “Israel therefore cannot wait until the initiative passes to Egypt” (4). He concluded that “Egypt’s present regime [...] must fall and the Egyptian army must be broken before it has time to use the arms [...] The immediate plan must be directed at breaking the backbone of the Egyptian army” (quoted in Bar-On 1994, 4). Similarly, Colonel Katriel Shalmon, the Israeli military attaché in Washington, Abba Eban, Israel’s ambassador to the United States and Reuven Shiloah, an Israeli minister, claimed that Israel was “confronted with a degree of danger which [it] has never known” (Bar-On 1994, 5) and that it may be necessary “to strike a decisive blow at the Egyptian army, which is the keystone of the entire regime” (5).

The dovish camp around Sharrett, however, opposed taking military action against Egypt and advocated that Israel should procure arms in order to balance against Egypt's gain in power. In the face of Sharrett's opposition and after a closer examination of the unfavorable consequences of a preventive strike, Ben-Gurion begrudgingly shelved his plan to attack Egypt. First, Ben-Gurion realized that a preventive strike against Egypt would brand Israel as the aggressor. The British and American governments had made clear that they opposed an Israeli-initiated war because they feared that this would push Egypt and the Arab world into closer alignment with the Soviet Union. As a result, Ben-Gurion and Dayan believed that it might be possible to provoke Egypt into striking first, a plan which proved unsuccessful and was given up in December (Morris 1993, 279-281). Second, Ben-Gurion became aware that the IDF was ill-equipped to thwart an Egyptian counterattack by Egyptian *Illyushin* bombers which would easily reach and bomb Israeli cities, which meant that Israel would have to pay a "heavy price in blood, a lot of blood" (quoted in Morris 1993, 278) unless Israel managed to improve its aerial defenses. Moreover, Ben-Gurion feared that Britain could intervene on the Egyptian side and that Israel might be embroiled in a costly two-front war after Egypt signed a defense pact with Syria on October 22 (Oren 1992, 134; Golani 1998, 15-20).

Because of these considerations, in the winter of 1955 and the spring of 1956, the Israeli government focused on purchasing arms in order to balance against Egypt -- even though Ben-Gurion still continued "to support the idea that Israel should foment a war" (Golani 1998, 21) and sought "support from one Great Power at least" (21) to "adequately prepare for war" (21) and "counterbalance possible external intervention" (21). However, to the Israeli government's great consternation, its attempts to secure significant arms

purchases from the United States and Great Britain were unsuccessful because Secretary of State John Foster Dulles and British Foreign Secretary Harold Macmillan believed that Israel and its decision to conduct the Gaza raid were in large part to blame for Czech weapons deal (Oren 1994, 89). Perhaps even more importantly, Great Britain and United States also worried that arms shipments to Israel would alienate the Arab world and increase the Soviet Union's influence in the region (Sicker 1989, 74-75), even though the British government did eventually agree to six Meteor jets to Israel in March 1956 in order "to camouflage larger shipments to Iraq and Jordan" (Oren 1994, 91).

Because Israel's efforts to purchase arms, especially tanks, from the United States and Great Britain were fruitless, Israel turned to France, which had already sold and delivered several light tanks to Israel in 1955. Since France believed that Egypt's increase in power could jeopardize France's interests in Algeria, it granted Israel's request and shipped 24 IV *Mystère* fighter jets to Israel in March 1956. Even more importantly, after negotiations in the small town of Vermars south of Paris in June 1956, Israel secured an 80 million dollar arms deal from France, which included 200 AMX-13 light tanks and 72 *Mystère* IV fighter jets (Bar-On 1994, 170; Golani 1998, 28).

While the Israeli arms purchases at Vermars were significant, they did little to compensate for Egypt's relative gain in relative capabilities.<sup>3</sup> Only weeks after Egypt had received the first shipment of Czech weapons deal, Nasser opened negotiations to secure additional arms from the Soviet Union, which included, among other things, *Illyushin* bombers and the support of 800 Soviet technicians and instructors and was estimated by Western intelligence to have a value of 250 million U.S. dollars. This second arms deal aggravated both the United States and Great Britain and led Great Britain to send Israel a

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<sup>3</sup> See also Levy and Gochal's (2001/2002, 28-34) discussion on the impact of the Vermars arms deal.



small shipment of Centurion tanks and the United States to turn a blind eye on the July delivery of 24 Canadian Sabre fighter jets (Oren 1994, 92-93).

According to Bar-On (1994), Israeli defense circles estimated that the weapons deals secured at the Vermars conference provided Israel merely “with the minimal response sufficient to redress the upset balance of power that had thrown the country in turmoil” (170). Likewise, Israel’s September 1956 calculation of its arms arsenals relative to Egypt’s showed “Egypt in a position of marked superiority in every area, especially in air power” (Oren 1992, 94). Hence, while the French arms deal gave Israel some respite, the Israeli government continued to worry about Egypt’s increase in relative capabilities as Egypt absorbed its new weapons. Furthermore, as Levy and Gochal (2001/2002) point out, Israeli leaders “also doubted their ability to keep up with future Egyptian arms purchases, given Israel’s diplomatic isolation and, particularly, the lack of American cooperation” (30). They also note that Israel’s position “was compounded by financial considerations. Israel was forced to buy weapons with cash or with extremely limited amounts of credit because its French and other Western suppliers were in no economic position to offer better terms” (30).

### *8.3.2 Israel’s fears unredressed: the 1956 Sinai campaign*

Although the June 1956 Vermars conference was important for reducing Egypt’s lead in the Israeli-Egyptian arms race, its primary significance is due to the fact that it brought Israel and France closer together as in return for the arms shipment, Israel promised to support France’s intelligence and covert military efforts against Algeria and the Nasser

regime, which France erroneously believed to be the instigator of the Algerian revolt (Golani 1998, 26-27). As Bar-On (1994) summarizes, the “main importance [of the Vermars conference] lay in the unsigned pact of cooperation between Israel and France and the deep friendship that would bear fruit in the Suez crisis and long after as well” (171).

Nasser’s July 26, 1956 announcement to nationalize the Suez Canal also proved critical for Israel’s decision to wage the Sinai campaign because it induced Britain to ally with Israel. It is important to note that before and even some time after the nationalization of the Suez Canal, British-Israeli relations were marked by deep distrust and mutual suspicion. Israel’s reservations were largely due to the British support of and arms sales to several Arab nations. Also, Israel feared that Britain might turn against Israel if it decided to attack Egypt or Jordan due to Britain’s formal defense obligations to the latter. For instance, when Ben-Gurion was asked in the *Knesset* to take immediate military action to oust Nasser, he replied: “Such a view is not unacceptable, in principle or in practice. It is, however, problematic in one respect: possible British involvement in such a war” (quoted in Golani 1998, 22). Even though the Ben-Gurion government believed that the nationalization of the Suez Canal had given Great Britain a sufficient reason for military action against the Nasser regime, his concern that Great Britain might be “joining the Arab camp at the very last moment” (quoted in Brecher 1974, 242) persisted well into the fall of 1956. Furthermore, the British government emphasized on several occasions that it would take military action against Israel if its raids against Jordan persisted. Interestingly, despite these assertions, Prime Minister Anthony Eden worried that an Israeli attack against Egypt might lead to a “nightmare scenario” (Eden 1960,

513) with “Jordan calling for support from Nasser and ourselves, Nasser calling for support from Russia, France lined up with Israel on the other side” (513).

On August 3, 1956, after Director-General of the Israeli Defense Ministry Shimon Peres returned from a trip from Paris, Ben-Gurion was informed that the “British and the French have decided in principle on a joint military action to take over the Canal Zone” (quoted in Golani 1998, 63). Since the French were taken aback by the British hesitancy to implement Operation Musketeer, they proposed to involve Israel in the invasion plans and suggested to launch a Franco-Israeli attack or let Israel take the initiative and follow up with a Franco-British invasion to secure the Suez Canal. At first, the British government strongly opposed these plans as it feared that its association with Israel would jeopardize Great Britain’s interests in the Arab world. However, due to France’s increasing pressure and Britain’s realization that Israel was likely to exploit an Anglo-French invasion of Egypt by also launching an attack and which would make it difficult to avoid giving the Arab world the impression of Anglo-Israeli collusion, Eden informed Ben-Gurion in early October that Britain would not view an Israeli attack on Sinai as a violation of the Tripartite Resolution (Oren 1992, 139-140).

After two weeks of indirect Israeli-British pre-negotiations via the French government, Ben-Gurion, Dayan, Peres and Bar-On traveled to Sèvres, a small town southwest of Paris, to hammer out the details of a joint attack against Egypt with French Foreign Minister Christian Pineau and British Foreign Secretary Selywyn Lloyd (see Bar-On 1994, 233-247 and Kyle 1991, 314-331 for the following). Due to Israel’s and Britain’s different views on the role of Israel in the campaign, the meeting started off poorly. Specifically, Lloyd demanded that Israel initiate a full-scale offense in the Sinai

and pretend to make a move towards the Suez Canal so that Britain could issue an ultimatum to Egypt and Israel to clear the canal in order to justify the subsequent intervention by British and French forces. Importantly, Lloyd also insisted that Israel keep this ploy secret, as the British government feared adverse reactions from the Arab world and its domestic constituency if their arrangement with Israel became public. Moreover, at the beginning of the Sèvres negotiations, Lloyd pointed out that there would have to be a time-lag of at least 72 hours between Israel's and Britain's commencement of the military action.

Ben-Gurion rejected Lloyd's plan and pointed out that "Israel does not want to be labeled an aggressor, nor does she want an ultimatum hurled at her" (quoted in Bar-On 1994, 236). Perhaps even more importantly, Ben-Gurion believed that the proposed temporal gap between Israel's commencement of hostilities and the intervention of France and Britain would leave Israel's cities, especially Tel Aviv, vulnerable to an Egyptian air attack. As a result, Ben-Gurion demanded that the British destroy the Egyptian air force before Israeli ground troops moved in (Shlaim 1997, 517), which Eden - back in London - rejected. Eden also rejected the proposition to let French forces use the airfields in Cyprus in order to support the Israeli air defense with French fighter planes because then "the whole world would realize that this was collusion between England, France and Israel" (quoted in Bar-On 1994, 237).

On October 24, a compromise was struck and recorded in the secret Sèvres protocol, whose existence was long denied (see Kyle 1991, 565-566 for a copy of the secret Sèvres protocol). First, it was agreed that on October 29, 1956 Israeli forces would launch a large-scale attack on Egyptian forces and pretend to move toward the Suez

Canal the next day. By dropping a battalion of paratroopers in a remote and relatively safe area close to the canal and sending an armored brigade 120 miles into Egyptian territory, Israel would give Great Britain and French a sufficient reason to intervene. If the British decided to renege on the agreement, the Israeli government would simply portray the action as a major act of retaliation rather than a failed attempt to initiate a war against Egypt (Bar-On 1992, 239).

Second, the day after Israel's incursion into Egypt, Great Britain and France would issue appeals to the Egyptian and Israeli governments to stop all acts of war and withdraw their forces from the canal zone. Furthermore, they would demand from Egypt to accept a temporary Anglo-French occupation and guarantee the freedom of passage for all vessels. Since the Egyptian would most certainly reject these demands, French and British forces would intervene twelve hours later and the appeal to Israel would become null and void. Also, in an additional protocol, which was not mentioned to the British government, France promised to support Israel's air defense against Egyptian attacks by stationing a reinforced squadron of *Mystère IV A* fighter bombers and placing two ships of the *Marine Nationale* in Israel's ports (Kyle 1991, 566-567). Third, Israeli forces would occupy the Gulf of Aquaba to insure freedom of navigation. Fourth, the Israeli government agreed not to attack Jordan in exchange for Britain's promise not to come to Jordan's aid should it decide to attack Israel (Shlaim 1997, 521).

A seemingly minor, but for Israel highly important precondition for agreeing to the Sèvres agreement was to obtain Britain's signature to the Sèvres protocol. Although Lloyd's assistant Patrick Dean signed the document, he noted that it was subject to approval of his government. Reportedly, when the British delegation traveled back to

London and informed Eden about the Sèvres protocol, Eden was enraged and instructed Dean and Logan to return to France and make sure that all written evidence of the trilateral agreement would be destroyed. When Dean and Logan arrived in Paris, Pineau let them know that neither he nor Ben-Gurion were able to fulfill the British request (Kyle 1991, 329-331). According to Bar-On (1994), “the British signature of the Sèvres protocol provided Israel with a bond against British duplicity” (246) as “Eden and his colleagues could not deny that a pact had been entered into between Britain in Israel” (246). Hence, “the signing of the Sèvres Protocol was tantamount to creating a military pact among France, Israel, and Great Britain” (Bar-On 1994, 247) and “eliminated one of the major considerations that had prompted the Israeli government to forgo the option of a preventive war the previous autumn – fear of international outrage at the Israeli initiative” (247).

Although the Israeli leadership was aware of the risks of taking military action, it viewed the Sèvres agreement as a propitious opportunity to undo and limit Egypt’s rise to power. After the Sèvres agreement was signed, Ben-Gurion wrote into his diary that “[t]his is a unique opportunity [...] that two not so small powers will try to topple Nasser, and we shall stand not alone against him while he becomes stronger and conquers all the Arab countries” (quoted in Shlaim 1997, 520). Shimon Peres’ diary entry also reflected Israel’s preventive motivation for the Sinai campaign: “We were witness to our nations joining together to destroy evil, to wage war against a battle-hungry and arrogant dictator. There was no sense of conspiracy; it was a decision taken to defend ourselves before our enemy rose up to slay us” (quoted in Bar-On, 244). Similarly, Moshe Dayan (1967) noted: “The decisive intimation to Israel of an approaching Egyptian attack was the arms

deal concluded between Czechoslovakia and Egypt in September 1955 [...] She also judged that the very possession by the Arabs of arms superior in quality and volume to those available to Israel would spur them to exploit this military advantage and hasten their attack” (4).

On October 29, the IDF launched the Sinai campaign. With two divisions and three independent brigades, the IDF quickly managed to capture the entire peninsula and Gaza. Two days later, French and British forces bombed the Egyptian forces. On October 5, Operation Musketeer was launched, and “almost overnight, the IDF and the British and French air forces turned most of Nasser’s new Soviet weaponry into scrap metal” (Morris 1993, 285). The following day and under heavy pressure by from the United States, Britain agreed to a cease-fire before it could capture the Suez Canal, which ended the war (Shimshoni 1988, 92).

How does the theoretical model laid out in chapters 4 and 5 square up to Israel’s decision-making regarding the Sinai campaign? Recall that the theoretical model suggests that declining states will take preventive action against rising states if *(i)* a declining state considers the costs of preventive action sufficiently small compared to the size of the anticipated power shift and *(ii)* a rising state refrains from making gestures to reassure a declining state that its fears of an adverse power shift and its consequences are unwarranted. The case study provides support for the causal efficacy of both conditions.

With respect to the first condition, the timing of Israel’s decision to take preventive action against Israel is particularly instructive. As shown above, the Israeli government harbored strong preventive motivations ever since Nasser announced the Czech arms deal. However, Israel’s concerns with the costs of being labeled and treated

as an aggressor, the possibility of being bogged down in a two-front war and above all, being exposed to retributive bombing campaigns by Egypt induced Israel to refrain from taking preventive action. The trilateral Sèvres agreement between Israel, France and Great Britain to jointly attack Egypt in the fall of 1956 reduced these costs and induced Israel to act on its preventive motivation.

It should be noted that this interpretation of the significance Sèvres agreement is widely shared in the literature. Levy and Gochal (2001/2002), for instance, note that the “British and French intervention was a necessary condition for an Israeli decision for war, at least in autumn 1956” (40) as it reduced Israeli “fears of diplomatic isolation and vulnerability to an Egyptian air attack, along with the additional concern about the possibility of British intervention on the side of Jordan against Israel” (39). Similarly, Bar-On (1993) finds that in late 1955, the Israeli government’s “concern for American opposition and possible British military intervention against Israel had let it to forgo the option of a preventive war against Egypt” (221) and that Britain’s participation “seemed vital to Ben-Gurion to obviate British hostility, neutralize Washington and placate some of the Arab states as well” (221). Likewise, Shimshoni (1988) remarks that Ben-Gurion “was extremely sensitive to [...] civilian casualties in Israel’s cities” (101) and therefore sought “effective air cover for Israel’s civilian population” which rendered “Israel’s decision for war dependent on an alliance with a European power” (101).

The second condition for the occurrence of preventive war was also met. Apart from emphasizing the defensive nature of the Czech arms deal (Oren 1992, 88), the Egyptian government did nothing to reassure Israel that it would not exploit its gain in relative capabilities in the future. A note which Foreign Minister Sharrett wrote prior to



his meeting with Dulles in October 1955 to discuss the Czech arms deal emphasizes this point: “Only if Israel has a sense of assurance on the basic issues of the balance of power and of her own security will she be able to contribute constructively to a settlement. A nervous, fearful Israel will be far more inflexible and obdurate than an Israel at ease on the basic issue of her own security” (quoted in Caplan 1997, 162).

In sum, the empirical analysis of Israel’s decision-making calculus offers considerable support for the logic of the theoretical model which suggests that declining states will only resort to preventive action if the costs of fighting relative to the anticipated size of the power shift are sufficiently small and if the rising state refrains from issuing a credible political or security-related gesture of reassurance. Furthermore, the preceding analysis suggests that the Egyptian government’s closure of the Straits of Tiran, its support of the Fedayeen attacks and its anti-Israeli propaganda campaign aggravated the Israeli government, but played at best a secondary role for Israel’s decision to wage the Sinai campaign. Instead, it seems that Israel’s fear that Egypt would exploit its gain in relative capabilities once it had fully absorbed the Soviet arms to challenge the territorial status quo was at the heart of Israel’s decision to take military action against Egypt. Furthermore, Sharrett’s note to Dulles cited above as well as the Israeli government’s deliberations surrounding Israel’s efforts to acquire arms in order to balance against Egypt strongly suggest that Egypt could have averted the Sinai campaign if it had sent a security-related tying-hands signal of reassurance by either canceling the Czech arms deal or by reducing its magnitude. According to the theoretical model, it is also conceivable that a formal political promise by the Egyptian government to respect the territorial status quo might have alleviated Israel’s fears at least somewhat. If the model’s

suggestion and the counterfactual speculation that Israel was “reassurable” are valid, the question arises why Egypt refrained from attempting to reassure Israel. It is this question to which we turn next.

#### **8.4 The Egyptian perspective**

From the perspective of the theoretical model laid out in this dissertation perhaps the most intriguing question regarding Israeli-Egyptian relations in the 1950s is why the Egyptian government did not try to reassure Israel in order to avert the Sinai campaign. Recall that the model predicts that rising states will only resort to reassurance if (i) the rising state fears that it will be subjected to preventive action otherwise and (ii) the rising state’s or the rising state leaders’ opportunity costs for issuing a signal of reassurance are sufficiently low. As the following analysis will show, Nasser deemed an Israeli attack very unlikely and also feared that any significant effort to conciliate with Israel would jeopardize his political standing in Egypt and the Arab world. Hence, the theoretical model correctly predicts what appear to be the major reasons why Nasser refrained from issuing a signal of reassurance.

##### *8.4.1 Egypt’s assessment of Israel’s fears*

Although the available primary and secondary sources are thin on the Egyptian government’s estimate of how Israel would respond to the Czech arms deal, there is little doubt that Nasser realized that Israel harbored preventive motives in the wake of the announcement of Czech arms deal. One piece of evidence in support of this conclusion is

that when Nasser announced the Czech arms deal, he was careful to emphasize its defensive nature and explained that besides thwarting Israeli attacks, the acquisition of Soviet arms was intended to serve as a counterweight to the Baghdad pact (Oren 1992, 87). Furthermore, in an October 17, 1955 meeting with the U.S. secretary of state, the Egyptian ambassador to the United States repeated that “Egypt had no aggressive intentions against Israel whatsoever” (*FRUS* 1955-1957 XIV, 604) and pointed out “Egypt wished merely to strengthen its armed forces” (604) as “Egypt had been subject to many threats and provocations from Israel during recent years” (604). Most importantly, he also explicitly expressed his hopes that the United States would continue its efforts “to prevent Israel from engaging in [a] preventive war against Egypt” (606).

However, it seems that over the winter and the spring of 1956, the Egyptian government and Nasser in particular believed that Israel would not act on its preventive motivation. In February 1956, the U.S. embassy in Cairo reported that Nasser “appeared decidedly relaxed about the military aspects of a major Israeli military attack” (*FRUS* 1955-1957 XV, 128). Similarly, in March, Ali Sabri, a leading member of the Free Officers said that “he did not believe that Israel would launch a war now” (*FRUS* 1955-1957 XV, 394) and that “Israel [sic] talk of preventive war was simply a means of putting pressure on U.S. government to supply arms to Israel” (394).

What accounts for the Egyptian belief that Israel would not take preventive action? According to Shimshoni (1988, 101-102), Egypt’s apparent increasing ease of mind may have been due to a lack of a consistent and persuasive threat to take preventive action. Although public calls for taking preventive action against Egypt lasted well into 1956 and had become even louder after the hawkish Herut party became the second

largest fraction in the July 1955 elections, Ben-Gurion was rather hesitant to embrace this rhetoric. Instead, on November 2, he publicly pointed out that Israel “cannot obtain security through military victory – not even the most complete. We do not want, we are not permitted, and we cannot annihilate tens of millions of Arabs in the Middle East, and no war-like rhetoric can change this. Our defense lies in constant readiness and increasing our strength in every field and front” (quoted in Stock 1967, 161). Two months later Ben-Gurion declared in the *Knesset* that “the maintenance of peace is preferable even to victory in war” (Ben-Gurion 1973, 271).

In his detailed review of the Egyptian government’s perceptions and intelligence, Sheffy (1990) identifies three additional reasons that contributed to Egypt’s conviction that Israel would not take preventive action. First, Sheffy (1990) argues that Nasser interpreted the secret peace and mediation initiatives between 1953 and 1956 as an additional indication that “Israel was at that stage searching for a political solution to the conflict, even if it had not abandoned its belligerent intentions” (13). Second, Sheffy points out that Israel’s “‘customary’ norms [...] of limited retaliatory raids against civilian, semi-military and military targets near the border” (15) induced the Egyptian government to believe “that Israel’s initiatives and retaliations would remain within the familiar routine of the restricted operations in the foreseeable future” (15). Third, Sheffy argues that the Egyptian government believed that the Egyptian army’s advantage over the IDF meant that Israel was simply incapable of undertaking a large-scale military operation against Egypt.

In the summer of 1956, after the nationalization of the Suez Canal, any lingering doubts concerning a possible preventive attack by Israel were dwarfed by Egypt’s

preoccupation with a British attack. In July, Nasser specified his view on the likely international consequences of his decision to nationalize the Suez Canal in a telephone conversation with his confidante Mohamed Heikal. Heikal (1972) reports that Nasser predicted that “Eden will behave in a violent way [...] because his position is weak” (88), but thought that a “full invasion” (88) was unlikely. He also expected that “Eden will try to pull France with him, or maybe France is going to pull Eden” (88). However, with regard to Israel, Nasser noted: “Participation of Israel in this operation to be ruled out. Eden would not accept. Israel may try but Eden will refuse” (88). Furthermore, Nasser explained that the “[p]eak danger time” (89) would be August with an 80 per cent probability of attack. Yet, Nasser believed that through political maneuvers, especially by swaying world public opinion that it was Egypt’s legitimate right to nationalize the Suez Canal, he could decrease the risk of an attack to 20 per cent by the end of September (see also Shemesh 1990, 151).

In the following weeks, Nasser continued to dismiss the possibility that Israel might launch a preventive attack on Egypt. Notably, when Nasser was informed by a former member of the RCC that Israel was planning to attack Egypt in cooperation with Great Britain in October, Nasser assumed that this information was intentionally leaked in order to induce him to concentrate his forces in Sinai, “thereby abandoning Alexandria and Rashid which were on the expected route for British troops to take” (quoted in Shemesh 1990, 153). As a result, Nasser did not reconsider his earlier decision to relocate half of the Egyptian forces that were based in the Sinai to the Suez zone. Similarly, ten days before the Sinai campaign, the Egyptian military attaché in Paris sent Nasser a report on the details of the tripartite attack, but Nasser did not believe that such an attack

might actually take place (Shemesh 1990, 153).

Indeed, Nasser seems to have refused to accept the idea that Israel could collude with Great Britain until the beginning of the Sinai campaign. On the afternoon of October 29, Nasser met with the press attaché from the Egyptian embassy in Paris who had obtained details on the Sèvres agreement and warned Nasser of Israel's impending attack. Nasser replied: "Look here, my son [...] Israel, France can do it, but the British cannot at all cooperate with the Israelis. They have dignity, and they will hesitate a 100 times to cooperate with the Israelis" (quoted in James 2006, 40). Even as the first news of the Israeli campaign started to reach Nasser, he could not believe that Israel was launching a large-scale campaign. Heikal (1986) reports that on the night of October 29, he was called up by Nasser who said: "Something very strange is happening. The Israelis are in Sinai and they seem to be fighting the sands, because they are occupying one empty position after another [...] We can't make out what is happening" (177).

The conclusion that Nasser did not believe that Israel would take preventive military action against Egypt and was utterly surprised by the Sinai campaign and the tripartite collusion constitutes the consensus opinion in the literature (e.g., James 2008, 164; Kyle 1991, 352; Nutting 1972, 168; Shemesh 1990, 152). This empirical result is worth emphasizing because it supports a key dynamic proposed by the theoretical model developed laid out in chapters 4 and 5. Recall that the model predicts that for a rising state to be willing to engage in a strategy of reassurance, it has to expect to be subjected to preventive action if it remains passive. Hence, given the fact that the Egyptian government considered a preventive war by Israel to be extremely unlikely, its decision to refrain from reassurance was rational and in line with the predictions of the theoretical

model.

Yet, from the perspective of the theoretical model, Egypt's failure to reassure Israel of its peaceful intentions because of its misperception of Israel's willingness to take preventive action seems somewhat unsatisfying. Recall that the theoretical model assumes that a rising state should have a more or less correct estimate of a declining state's willingness to take preventive action. While it cannot be ruled out that rising states may at times misjudge declining states' resolve to take preventive action, the assumption that rising states have complete information over declining states' willingness to take preventive action is more than a technical convenience: for reasons of efficiency, declining states should have strong reasons to communicate their willingness to take preventive action in order to induce declining states to engage in reassurance.

This raises the question why Israel did not issue a credible threat. There seem to be two answers to this question. First of all, it seems that Israel did not believe that the Sèvres agreement would provide Israel with much leverage to persuade Egypt to pursue a policy of reassurance, e.g., by engaging in disarmament negotiations. As pointed out above, the tripartite agreement was a temporary alliance of convenience, as France and Great Britain harbored very different political and military aims than Israel and tried to keep the Sèvres agreement secret. Relatedly, had the Israeli government revealed the details of the Sinai campaign, Israel would have lost the advantage of tactical surprise, which constituted an important element of the Sinai campaign (Betts 1982, 62-65).

Second, and perhaps more importantly, by the time Ben-Gurion and his delegation traveled to Sèvres, it seems that the Israeli government had concluded that Nasser was not willing, and perhaps not even able to conciliate with Israel on acceptable

terms. In February 1956, Ambassador Abba Eban told the American planners of the Operation Alpha and Gamma peace initiatives that Nasser had “fully confirmed” (quoted in Caplan 1997, 245) Israel’s “deeply ingrained” (245) suspicions that Nasser’s “objective towards Israel [was] not a negotiated peace but dictation and intimidation from a position of military preponderance” (245). He further noted that “[e]ven if he were sincere about peace with Israel, Nasir may not have been strong enough, within the RCC leadership, to maintain such a policy in the face of pressures for war with Israel” (245).

This suggests that the Sinai campaign cannot be attributed to the mere fact that Egypt underrated Israel’s readiness to resort to prevention and “erroneously” failed to reassure Israel. It seems that the problem ran deeper: Abba Eban’s preceding comment suggests that Israel had lost faith in Egypt’s willingness to actively mollify Israel’s fear of a stronger Egypt, which may in turn explain why Israel apparently believed that threatening Egypt with preventive action was futile. As will be shown in the next section, there seems to be a foundation for Israel’s frustration as Nasser kept repeating that domestic and regional political constraints made it impossible for him to actively pursue peace with Israel. Hence, there is evidence that Egypt’s uncompromising behavior in the wake of the Czech arms deal was also due to high opportunity costs for reassurance, which constitutes the second theoretical explanation why rising states may refrain from reassurance.



#### 8.4.2 *Leaving Israel's fears unredressed*

In order to appreciate the domestic and the regional political constraints on the Egyptian government's ability and willingness to pursue a more conciliatory and reassuring policy vis-à-vis Israel, it is important to note that in the early and mid-1950s, the Nasserite regime had neither achieved political consolidation at home nor had it assumed the leadership role in the Arab world it would take on in the 1960s. After the Free Officers took over in 1952, they were primarily concerned with improving the country's economy, ending the British rule, and cementing their domestic power position. For better or for worse, the new Egyptian leadership "showed little interest in Israel and the Palestine question" (Morris 1993, 271) as it "apparently felt that it had enough on its plate without taking on the embarrassment and risks of a negotiation with Israel" (271) until mid-1954.

Since the Egyptian government required domestic support to consolidate its power at home and needed international Arab loyalty for the withdrawal negotiations with Great Britain, the maintenance of a minimum level of confrontation quickly became the RCC's default policy towards Israel -- as evidenced by the Egyptian governments' efforts to sabotage the West German-Israeli treaty on reparations, its restrictions on Israeli shipping through the Suez Canal, its inaction to curb border infiltration and its rejection of peace talks (Oren 1992, 16-18).

Mindful of the increasing public aggravation with Israel's policy of retaliatory raids, Nasser and the RCC increasingly embraced anti-Zionism in order to rally domestic support and to prop up Egypt's claim to lead the pan-Arabic movement. Most observers agree that the infamous Gaza raid further boosted Nasser's political incentives to pursue

an aggressive and uncompromising policy towards Israel, which found its expression in Nasser's support of the Fedayeen attacks, the intensification of anti-Israeli propaganda, and Nasser's efforts acquire arms (e.g., Love 1969, 1-20; James 2006, 12-15; Nutting 1972, 97). Although the negotiations for the Czech arms deal were started before the Gaza raid, the Gaza raid undoubtedly underlined Nasser's determination to bring these negotiations to a successful conclusion. As Dekmejian (1971) explains, Israel's Gaza raid and the subsequent remilitarization of the Al-Auja area

constituted a serious problem for the leader, since they demonstrated the weakness of his forces. If the Egyptian regime was to maintain its position in the Arab world and, indeed, to stay in power at home, it needed to acquire modern armaments to build a strong fighting force. Defense of the Suez Canal after the British departure, Israel's growing might, and pressure from its own military were additional factors that led Nasser to seek modern arms. (Dekmejian 1971, 44)

Takeyh (2000) supports this argument by pointing out that after the Gaza raid, "Nasser came under tremendous pressure from the Egyptian officer corps which demanded that the RCC take effective measures to rebuild the army and restore its morale" (74). Hence, what the Gaza raid "did accomplish, although it was not its purpose, was to force Nasser, as a consequence of the uproar it created in Egypt, to accelerate and intensify his armed confrontation with Israel at a moment not of his choosing" (Sicker 1989, 69). Interestingly, the impression that Nasser's behavior before and in the wake of the Czech arms deal was subject to political constraints was shared by Assistant Secretary of State George V. Allen, who noted in an October 3, 1955 telegram to the U.S. State Department that "[i]t is clear that he [Nasser] could not, even if he wished, cancel [the] Czechoslovak

deal since he would be overthrown” (*FRUS 1955-1957 XIV*, 552).

These domestic and international political constraints were also operational in the Western-sponsored peace initiatives. The fate of Operation Alpha, which was intended to bring peace to the region by giving Egypt a part of the Negev in return for Egypt’s recognition of Israel and by resettling Palestinian refugees constitute an early example. According to Oren (1993), the failure of Operation Alpha and the Jordan Valley Authority (JVA) idea was tragic because the Arab leaders and Nasser seemed “[p]rivately open to compromise, but publicly, because of political restraints, had to reject all efforts at reconciliation” (117). Takhey (2000) points out that the Alpha plan was unacceptable to Egypt because Nasser “had to rely on the Arab masses for advancing his regional ambitions and security for Egypt” (71) and that the “Arab populace was likely to be unforgiving if the Egyptian regime accepted the Alpha plan” (71).

Operation Gamma, launched in January 1956 by the Americans after the Egyptian Foreign Minister Mahmud Fawzi had turned to the U.S. government to embark on another peace initiative “to mitigate America’s reaction to the Czech deal” (Oren 1992, 121) met a similar fate. Robert C. Anderson, a close friend of President Eisenhower was appointed as the mission’s special mediator and was instructed to arrange a direct meeting between Nasser and a high-ranking Israeli, preferably Ben-Gurion. Also, Anderson was asked to impress upon Nasser that he would obtain political and economic support for his cooperation, but would have to expect economic and political sanctions otherwise (Oren 1992, 122).

The Anderson mission immediately got off to a bad start as Nasser categorically ruled out a direct meeting with Israeli leaders. In the initial meeting with Anderson in

mid-January, Nasser pointed out that “the occurrences of 55 had now brought about a condition in which the people of Egypt were all deeply and emotionally concerned about Israel and felt a very strong resentment and anger which had not heretofore existed” (*FRUS* 1955-1957 XV, 30) and which “made his task [of seeking peace with Israel] a much more difficult one” (30). Interestingly, in the same meeting Nasser also openly admitted “that some of the strong feeling which existed today in the Arab countries and particularly in Egypt [...] which would now make more difficult a settlement with Israel, resulted directly from their [i.e., Egypt’s own] propaganda efforts which they felt were essential to their own security at a time when the Baghdad Pact threatened to isolate them from the rest of the world” (31-32). Anderson further reported that the “Prime Minister said that during this period with a great deal of reluctance they had ‘burned several of their bridges behind them’” (32). Nasser also said that “any announcement of a settlement between Egypt and Israel would produce a very unpopular reaction both within Egypt and the other Arab countries” (32) and “that upon making such an announcement of a settlement he would lose at least 60 percent of the support of his own people and a like percentage of the support of people in the Arab countries” (32). Nasser further explained that he could regain his much of his domestic support through “a program of public works and demonstrating an interest in the establishment of better standards of living” (32), but that regaining the support from the other Arab states would take longer.

In the subsequent meetings with Anderson, Nasser kept repeating that domestic and international constraints made it impossible for him to openly espouse a settlement with Israel. For instance, on January 19, 1956, Nasser noted that apart from the details of the substantive issues at hand, “in view of the universal Arab interest a ‘quick settlement’

was just impossible” (*FRUS* 1955-1957 XV, 43) and added on January 21, 1956 that “any Arab who proposed settlement at this time would be regarded as a traitor and would face loss of power or the threat of assassination” (48). With regard to “the possibility of his country facing drastic actions by Israel” Nasser’s attitude “indicated a fatalistic approach to what his country might have to face but a very active concern with what he might have to face in terms of his own political future” (48).

In a subsequent meeting several days later, Anderson raised Nasser’s assertion that it would require at least six months to prepare the domestic public and other Arab countries for a settlement with Israel and pointed out that this plan did “not recognize the dilemma we will all be in should Israel launch a preventive war” (*FRUS* XV 1955-1957, 62). In response, Nasser reaffirmed that would take “[m]any months” to get “the Arab leaders in line and ensure that they would follow along with whatever agreement is worked out with Ben Gurion” (60). Critically, Nasser also indicated that he was willing to endure a preventive strike should Israel decide to take such action: “Once the threat of Israel is raised [...] I have no choice but reply that I will face this threat with all my energies and to give you my conviction that we will defeat the Israeli if they launch an attack upon us” (62).

In early March 1956, after Nasser had reiterated his unwillingness to directly negotiate with Israeli leaders, Anderson held his last meeting with Ben-Gurion, who delivered a “lengthy and eloquent post-mortem on the emissary’s mission” (Caplan 1997, 252). In his assessment of the situation, Ben-Gurion pointed out that Nasser was effectively unable to seek a settlement with Israel due to broader political concerns. Specifically, Ben-Gurion noted that “he tried to accept Nasr’s declaration of peaceful

intention and good faith but continued to fear that Nasr could not control his own forces, had become subject of his own propaganda effort, [and] was essentially preoccupied with endeavoring to establish his prestige in other countries” (*FRUS* 1955-1957 XV, 334). Ben-Gurion claimed that Nasser would “follow whatever course of action seemed best suited to achieve his own purposes of Arab leadership” (334). Although Ben-Gurion promised that he would “reappraise his situation with his Cabinet” (*FRUS* 1955-1957 XV, 335), he also noted that “the mission had worked adversely to Israel’s interest by providing additional time for Egypt” (335).

All in all, the evidence supplied above suggests that Nasser’s concern with this political standing at home and in the Arab region greatly diminished his utility for attempting to negotiate a durable peace with Israel. Much of the secondary scholarship supports this view. For instance, Shimshoni (1988) argues that “Egyptian politics created strong interests in challenging Israel and at the same time diminished Cairo’s sensitivity to possible and actual Israeli reactions” (99) and that Nasser’s “pursuit of leadership in the Arab East” (94) added to Nasser’s political “need to harass Israel” (94). Oren (1993) supports this sentiment by asserting that Nasser’s desire to join and eventually lead the pan-Arabist movement “necessitated greater assertiveness in the struggle against Zionism, the sine qua non of Arabness, and strongly militated against efforts to defuse Egypt-Israel tensions” (105). Takeyh (2000) succinctly notes: “The pursuit of Pan-Arabism was not readily compatible with making peace with Israel” (53).

These conclusions suggest that Nasser’s ignorance of the severity of Israel’s preventive motivation provides only a part of the explanation why Nasser refrained from reassuring Israel that Egypt would not try to exploit its gain in relative capabilities in the

future. Furthermore, it seems plausible to believe that due to these political constraints, Nasser would have probably not pursued a significantly different policy even if he taken the Israeli threat more seriously. In this context it is also worth pointing out that even though Egypt suffered a military defeat in the Sinai campaign, Nasser personally experienced a political victory as he “emerged from the crisis as the charismatic leader of Egypt and the Arab world” (Shemesh 1990, 160). Hence, Nasser’s decision-making calculus supports the theoretical argument that states’ and leaders’ concerns with political opportunity costs for making gestures of reassurance are a major, perhaps even the most important reason why opposing states experience a bargaining breakdown during power shifts.

#### **8.4 Summary**

Israeli-Egyptian relations prior to the 1956 Suez campaign correspond closely to the dynamics of the preventive action equilibria described in chapters 4 and 5. Egypt’s acquisition of a significant arms package from the Soviet Union through Czechoslovakia in the fall of 1955 generated strong fears in Israel that Egypt would be tempted to use its gain in relative capabilities to enforce a territorial revision of the status quo in the future. As predicted by the model, Israel weighed the costs of preventive action against the size of the power shift in its decision whether to take preventive action. Until the summer of 1956, the Israeli government refrained from resorting to preventive action because it feared that Egypt would retaliate by bombing Israel’s cities and because it worried that preventive action would stigmatize Israel as an aggressor. The 1956 Sèvres agreement between Israel, Great Britain and France to jointly attack Egypt decreased these concerns and effectively reduced Israel’s costs of attacking Egypt to a sufficient degree so that the

Sinai campaign appeared worthwhile in the eyes of the Israeli leadership.

Although Britain's and France's willingness to cooperate with Israel provided a core reason why Israel eventually decided to take preventive action, the theoretical model developed in this dissertation maintains that Israel's decision-making calculus on the Sinai campaign cannot be reduced to the question of whether taking preventive action was perceived to be sufficiently cost-effective or not. This is because such a decision-theoretic interpretation suggests that Israel was essentially "unreassurable", i.e., that Egypt could not have done anything to avert a preventive strike. However, in line with strategic model laid out this dissertation, the preceding empirical analysis suggests that Israel was anything but eager to take preventive action and was in fact highly interested in finding a negotiated agreement with Egypt -- at least until early 1956, when the Israeli government concluded that Nasser's political constraints made conciliation extremely unlikely.

The theoretical model receives further empirical support for its prediction that a preventive action equilibrium is associated with the absence of reassuring actions by the rising state. As laid out above, the Egyptian government did effectively nothing to reassure Israel that it would not exploit its gain in relative capabilities to revise the status quo once the Czech arms were absorbed. The theoretical model offers two explanations why a rising state may refrain from engaging in reassurance. The first explanation is that a rising state will find resorting to reassurance unnecessary if it expects that a declining state is unwilling to take to preventive action. The examination of the Egyptian government's estimates regarding a preventive strike by Israel clearly shows that the Egyptian leadership deemed such an action extremely unlikely, which supports the



model's line of reasoning.

Second, the model suggests that even if a rising state believes that preventive action is forthcoming, it may refrain from reassuring a declining state of its peaceful intentions if pursuing a strategy of political or security-related reassurance is associated with significant opportunity costs. Again, the case study lends support for this proposition. As laid out above, Nasser was strongly concerned that assuming a more conciliatory policy - for instance by acknowledging the legitimacy of Israel's territorial demands or by engaging in disarmament negotiations - would jeopardize his political future in Egypt and the Arab world. Perhaps more to the point, it seems that Nasser valued his political standing higher than the Egyptian costs of possibly enduring preventive action.

Because of Nasser's opportunity costs, it seems unlikely that Nasser would have pursued a reassuring policy towards Israel if he had taken Israel's willingness to resort to preventive action more seriously. Yet, it still cannot be ruled that Israel perhaps missed an opportunity to communicate its preventive motivation more forcefully in an effort to induce Egypt to partially undo the Czech arms deal or issue a credible political promise that it would not attack Israel in the future. Indeed, from the perspective of the model, the fact that Israel did not openly threaten Egypt with preventive action remains as regrettable as Nasser's decision to value his political future higher than the costliness of enduring a preventive strike.

An overview of the stylized facts of the Israeli-Egyptian relations and the preceding case studies main findings is provided in the table below.

**Table 5: Israeli-Egyptian relations, 1952-1956: Key findings**

<b><i>Parameter values</i></b>	<b><i>Coding</i></b>	<b><i>Empirical referents</i></b>
<b>Size of anticipated power shift</b>	<i>medium to high</i>	<i>Egypt's "Czech" arms deal</i>
<b>Costs of conflict/prevention</b>	<i>medium, then low</i>	<i>Israel's fears of international isolation in the wake of preventive action and Egyptian air raids; significant drop in Israel's costs of prevention after Sèvres agreement</i>
<b>Opportunity costs</b>	<i>high</i>	<i>strong domestic and international preferences for anti-Israeli policies</i>
<b><i>Behavioral predictions</i></b>	<b><i>Predicted</i></b>	<b><i>Realized</i></b>
<b>Rising state</b>	<i>silence</i>	<i>silence: lack of reassuring gestures</i>
<b>Declining state</b>	<i>preventive action</i>	<i>Destruction of Egyptian arms</i>
<b>Outcome</b>	<i>conflict</i>	<i>Sinai War</i>

## 9 Conclusion

This dissertation offers a novel theoretical framework to facilitate our understanding of the strategic implications of power shifts. This framework suggests that the anticipated size of a power shift, the costs of preventive action and the ease with which rising states can manipulate the severity of their commitment problem are key factors for rising and declining states' strategic interaction prior to a power shift and the question of whether a power shift results in preventive action or not. More specifically, the theoretical framework suggests that power shifts yield three broad behavioral equilibria in which (i) a rising state remains passive or coerces a declining state into making more generous concessions over a disputed good and the declining state acquiesces; (ii) a rising state engages in a strategy of reassurance and thereby induces a declining state to refrain from taking preventive action; and (iii) a rising state remains passive and a declining state takes preventive action.

Arguably, the identification of the reassuring equilibrium constitutes the most important result, because it suggests that even significant power shifts may not necessarily result in preventive action. Thus, this dissertation suggests that standard formulations of the "war as a commitment problem" argument (Fearon 1995; Powell 2004; 2006) are incomplete because they neglect rising states' willingness and ability to engage in reassurance when a declining state contemplates resorting to preventive action.

In order to examine the empirical validity of the theoretical model, this dissertation examines three cases of interstate power shifts which differ not only in the strategic interaction between rising and declining states, but also in their ultimate

outcomes. This dissertation argues that Franco-German relations between 1949 and 1955 adhered to the logic of a reassuring equilibrium because West Germany attempted and succeeded in alleviating France's fears of Germany's return to power by agreeing to join the European Coal and Steel Community, which limited Germany's control of war relevant natural resources, and by accepting significant constraints on its rearmament. As predicted by the model, there is explicit evidence that Germany engaged in a strategy of reassurance because it feared that France would otherwise utilize its leverage as an occupation power to further impede Germany's economic and military revitalization.

Franco-German relations between 1933 and 1938 exhibited very different dynamics. Although France was just as concerned about Germany's gain in relative capabilities in the 1930s due to Germany's rearmament efforts, Germany did not engage in a strategy of reassurance, but in a strategy of coercion by remilitarizing the Rhineland in 1936 and annexing the Czechoslovakian Sudetenland in 1938. As is shown in the case study, Germany's decision to take actions that further increased its bargaining power vis-à-vis France was predicated on the belief that France was unwilling to take preventive action against Germany.

While this portrayal of Franco-German relations before and after World War II is very much in line with the orthodox historiography, this dissertation goes beyond extant interpretations by claiming that in spite of all the obvious differences, Germany's foreign policy towards France in the 1930s on the one hand and in the 1950s on the other was driven by a common logic. In order to see this, it is useful to recall that Hitler in the 1930s and Adenauer in the 1950s were confronted with a similar strategic environments and political imperatives: both Hitler and Adenauer were political leaders of Germany

during a period in which Germany was experiencing a significant gain in relative capabilities, both leaders tried to translate Germany's growing material capabilities into political leverage and both leaders tried to avoid a military confrontation with France. Yet, Hitler's and Adenauer's behavior was diametrically opposed: whereas Hitler coerced France into making additional concessions, Adenauer's grand strategy towards France followed the logic of reassurance. While these contrasting foreign policies are often attributed to regime type and leadership, this dissertation highlights the critical role that France played for Germany's behavior. This dissertation argues that it was France's impotence and unwillingness to take preventive action that led the Nazi leadership to believe that it could engage in coercion without risking reprisals and that it was France's vigilance and influential status as an occupation power that induced Adenauer to make wide-ranging concessions regarding the mode and extent of Germany's economic and military revitalization after World War II.

The third case study examines Israeli-Egyptian relations between the early and mid-1950s, when Egypt's significant arms purchase from the Soviet Union via Czechoslovakia induced Israel to take preventive action against Egypt in the form of the 1956 Sinai campaign. As proposed by the preventive war equilibrium, there is strong evidence that Egypt failed to reassure Israel because it considered preventive action to be unlikely. Furthermore, President Nasser associated a strategy of reassurance with significant opportunity costs because he believed that such a strategy would endanger his political future at home and in the Arab world.

Even though Israeli-Egyptian relations in the 1950s seem to have very little in common with Franco-German relations except for the existence of a power shift, the

model developed in this dissertation suggests that the political dynamics between Israel and Egypt are simply one manifestation of the overarching logic that unites all three cases: in the case of Egypt and Israel, the ratio between Egypt's gain in relative capabilities and the costs conflict was sufficiently high for Israel to consider preventive action, which in turn exerted pressure on Egypt to resort to strategy of reassurance. While post-war Germany responded to a similar pressure and averted preventive action, Egypt refrained from alleviating Israel's fears and was subjected to the Sinai campaign.

All in all, the empirical evidence from the case studies is quite encouraging, but it seems that more work needs to be done in order to fully comprehend how the anticipation of power shifts affects the strategic interaction between rising and declining states and to further uncover the conditions under which power shifts result in preventive action.

In terms of theory, it would be useful to examine how the manipulation of some of the formal model's assumptions affect the predictions regarding the strategic interaction between rising and declining states. First, it might be instructive to introduce additional sources of uncertainty into the model. Recall that the model assumes that rising and declining states have complete information over all parameters except the size of the power shift. Among other things, this assumption implies that a rising state is perfectly informed over a declining state's willingness to take preventive action. While Germany's largely adequate estimates of France's willingness to resort to preventive action before and after World War II suggests that this assumption is tenable, the Israeli-Egyptian case study – namely Nasser's failure to take Israel's preventive motivation sufficiently seriously – indicates that in some cases, rising states will misjudge the likelihood of preventive action. Hence, it seems that future theoretical work could benefit from paying

closer attention to the question of when declining states can and will clearly communicate their willingness to take preventive action. Here, the incorporation of insights from extant signaling models of resolve (e.g., Fearon 1997; Sartori 2005; Schultz 2001b; Slantchev 20005) might be very useful. A closer examination of a declining state's willingness and ability to signal its resolve to take preventive action seems particularly important, as the theoretical model in this dissertation suggests that a rising state's behavior, especially its propensity to reassure, is largely driven by its beliefs concerning the likelihood of preventive action.

Second and relatedly, the theoretical model abstracts away from the behavioral options a declining state has in order to respond to an expected power shift. In the model, a declining state can either accommodate a rising state by making concessions or it can take costly preventive action. This assumption glosses over the fact that declining states may have multiple options of forestalling an adverse power shift at their disposal, for instance internal and external balancing, diplomatic sanctions, limited preventive strikes and full-scale preventive wars (see e.g., Schweller 2006). The factors that determine a declining state's preferred mode of prevention seem worth exploring in more detail, because a rising state's response may be contingent on the type of preventive action it expects. For instance, it seems plausible to believe that the threat of an arms embargo is generally less likely to induce a rising state to engage in reassurance than the threat of a full-scale preventive war. Furthermore, it ought to be highlighted that for the purposes of tractability, the model in this dissertation assumes away the possibility that a declining state may try to induce a rising state to engage in reassurance not by issuing a threat, but by making a promise to deliver side-payments. It seems that a closer examination of the

feasibility of encouraging reassurance by positive inducements or a carrots-and-sticks strategy could produce some very interesting additional insights.

Third, several issues concerning the way signals of reassurance and coercion are modeled deserve closer scrutiny. Perhaps most importantly, the simplifying assumption that audience-cost based signals are just as effective for manipulating a rising state's commitment problem as security-related tying-hands signal might not hold up (see e.g., Slantchev 2006). For instance, the case study on Israeli-Egyptian relations shows that Nasser's assertion that the Czech arms deal was intended for defensive purposes only, did little to mollify Israel's fears. Similarly, it seems safe to conclude that purely verbal or political commitments by post-war Germany would be insufficient to reassure France that Germany would not exploit its gain in relative capabilities in the future. On the other hand, there are examples for political reassurances by rising states, for instance China's no-first-use pledge or Germany's 1990 promise to Poland not to revise the Oder-Neisse border in the future, even though it is not clear whether and to what extent these gestures assuaged the fears declining states. Hence, it seems that a closer theoretical and even more importantly, empirical examination of the efficacy of audience cost-based signals by rising states is warranted.

Also, even though the model's basic distinction between audience cost-based signals and security-related tying-hands signals seems reasonable, future work on the strategic implications of power shifts could certainly benefit from a more fine-grained typology of actions that rising states might take in order to coerce or reassure declining states. Additional empirical work that examines and classifies the types of actions that rising states engage in to manipulate declining states' decision-making calculus might be



particularly valuable for this purpose. Relatedly, there may be several actions and signals that do not fall neatly into the categories of the theoretical model, such as the granting of arms inspections, which seems to be aimed primarily at information revelation but does not seem to involve a significant amount of sinking costs.

In this context it should also be noted that the way signals of reassurance and coercion are modeled in this dissertation assumes that states may manipulate the extent of their commitment problem once a power shift is on its way, whereas in Fearon's (1995) and Powell's (2004; 2006) seminal formulations power shifts are modeled as completely exogenous to rising and declining states' choices. In future research, the idea that a rising state's gain in relative capabilities and commitment problems are at least partially endogenous can and should be pushed further. Indeed, in some circumstances, it seems that rising states' gains in power are almost completely endogenous, for instance when power shifts are due to a rising state's decision to acquire weapons of mass destruction. Interestingly, the logic of the model and the notion that states are efficiency seekers suggest that rising states should usually set their gains in relative capabilities to a level where a declining state weakly prefers making an offer to taking preventive action. This in turn raises the question why and under which circumstances rising states may find themselves in situations where their initial choices over the size of a power shift leave them with the opportunity to further coerce or the need to reassure once the power shift starts setting in. Factors such as asymmetric information, opportunity costs and security externalities may provide answers for this question, but it seems that future scholarship on the nexus between power shifts, commitment problems and preventive action could

benefit from theoretical work that takes additional steps towards endogenizing the size of power shifts.

Fourth, future work on rising states' behavioral strategies might want to reconsider the way opportunity costs are modeled. In the theoretical framework developed in this dissertation, it is assumed that the hands-tying effects of signals of reassurance or coercion are always greater than the opportunity costs of issuing such signals. One implication of this assumption is that rising states that do not fear to be subjected to preventive action will almost always find it profitable to engage in coercion. This proposition is probably too strong, as there seem to be numerous instances in which states that experience small gains in relative capabilities refrain from coercing their declining opponents because they find such a strategy politically inopportune, for instance due to domestic reasons.

The case study on Israeli-Egyptian relations in the mid 1950s suggests that declining states' and their leaders' concern with opportunity costs of issuing certain signals may indeed be critical for their strategy vis-à-vis declining states. Nasser's belief that pursuing a sustainable settlement with Israel would jeopardize his political standing in Egypt and the Arab world appears to have been a key factor for this decision not to engage in reassurance. Although the notion of opportunity costs tries to incorporate the fact the rising and declining states' strategic interactions do not occur in a vacuum, but are subject to both domestic and international constraints, a closer examination and more explicit modeling of the potential externalities of different types of signaling behavior could be particularly rewarding.

Many of the theoretical questions and issues raised above should and can be tackled in tandem with more empirical work. In-depth case studies appear to be particularly well-equipped to contribute our understanding of especially the finer properties of the dynamics of rising and declining states' interaction and may also provide crucial insights for theory building. There are ample cases for future research. One set of generally understudied cases, it seems, are instances where power shifts among opposing states passed peacefully. Similarly, case studies on how states respond to allegations of acquiring weapons of mass destruction ought to be rather instructive.

Ideally, future research should also employ quantitative tests on the basic propositions of the theoretical model developed in the dissertation. However, it seems that direct examinations of the theoretical framework's hypotheses will involve significant data gathering efforts. For instance, even though Composite Index of National Capability (CINC) scores have been used as proxies for power shifts (Lemke 2003), these measures do not pick up on power shifts due to technological innovations or arms purchases and certainly do not capture fears of power shifts due to misperceptions or intelligence. Data availability on the costs of fighting (or relatedly, costs of prevention), rising states' signaling behavior and opportunity costs is even more problematic. Hence, for the time being, the case study approach may constitute a more efficient and perhaps even more instructive empirical approach for examining the effects of power shifts on rising and declining states' strategic interactions and the validity of the argument that reassurance may constitute an important rationalist explanation for peace.

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## APPENDIX

### Proofs

#### Lemma 1:

At the last node in the baseline model,  $R$  can either accept  $D$ 's offer  $x$  or reject it and simultaneously revise the status quo in violent fashion. Comparing  $R$ 's respective payoffs below shows that in order to be accepted, offer  $x$  has to equal or exceed the critical value  $x^* = p + \Delta - c_R$  which marks  $R$ 's reservation price  $r_R$ .

$$\begin{aligned} U_R(\text{accept } x) &= x \\ U_R(\text{reject } x) &= p + \Delta - c_R \end{aligned}$$

Since the critical value  $x^*$  is increasing in  $\Delta$  and  $x^* = r_R$ ,  $R$ 's reservation price  $r_R$ , is also increasing in  $\Delta$ .

#### Complete Information Baseline-Model Equilibrium I: Accommodation and Complete Information Baseline-Model Equilibrium II: Prevention

Due to the assumption of complete information over all parameters including  $\Delta$ , the game can be solved through backwards induction. In the last node,  $R$  accepts offer  $x$  if  $x \geq p + \Delta - c_R$  and rejects otherwise. This can be obtained by comparing the payoffs below.

$$\begin{aligned} U_R(\text{accept } x) &= x \\ U_R(\text{reject } x) &= p + \Delta - c_R \end{aligned}$$

$D$  can decide whether to launch a preventive strike or make an offer  $x$ . If  $x \geq x^*$ ,  $R$  will accept, leaving  $1-x$  for  $D$ . If  $x < x^*$ ,  $D$  will be subjected to violent revision of the status quo which results in  $1-p-\Delta-c_D$ . The respective payoffs are shown below:

$$\begin{aligned} U_D(\text{prevent}) &= 1-p-c_D \\ U_D(\text{offer } x \geq x^*) &= 1-x \\ U_D(\text{offer } x < x^*) &= 1-p-\Delta-c_D \end{aligned}$$

Comparing the payoffs above shows that  $R$ 's weakly prefers launching a preventive to making an insufficient offer  $x < x^*$  due the assumption that  $\Delta \geq 0$ . Thus,  $D$  never wants to send  $x < x^*$ . Furthermore, since  $1-x$  is decreasing in  $x$ , it is straightforward to see that  $D$  wants to keep  $x$  to a minimum if she decides to make an offer at all. Hence,  $D$ 's optimal offer is  $x^* = p + \Delta - c_R$  which is just large enough to be accepted by  $R$ . The question then becomes: when does  $D$  prefer launching a preventive strike to offering  $x^*$ ? Comparing the payoffs below shows that  $R$  offers  $x^*$  if  $\Delta \leq \Delta^* = c_R + c_D$  and launches a preventive strike if  $\Delta > \Delta^*$ .

$$U_D(\text{prevent}) = 1-p-c_D$$

$$U_D(\text{offer } x^*) = 1 - x^* = 1 - p - \Delta + c_R$$

Definition 1:

***R and D's ex ante relative capabilities  $p$  and  $1-p$  are assumed to range between 0 and 1. The power shift  $\Delta$***

is added to  $R$ 's relative capabilities and subtracted from  $D$ 's relative capabilities, leading to  $p + \Delta$  for  $R$  and  $1 - p - \Delta$  for  $D$ . Both terms also range between 0 and 1. Thus, the maximum power shift  $\Delta_{max}$  is constrained so that  $p + \Delta_{max} \leq 1$ , which means that  $\Delta_{max} \leq 1 - p$ .

If  $R$ 's ex ante capabilities  $p \geq p^* = 1 - c_R - c_D$ , it follows that  $\Delta_{max} \leq \Delta^* = c_R + c_D$ . For reasons that become clear below, rising states with  $p \geq p^*$  will be called "non-revisionists." If  $p < p^*$ , it follows that  $\Delta_{max} > \Delta^*$ . Rising states with  $p < p^*$  will be called "potential revisionists."

Incomplete Information Baseline-Model Equilibrium I: Accommodation and Incomplete Information Baseline-Model Equilibrium II: Prevention

Let us begin with  $R$ 's strategy profile. Recall from the proof for the complete information version of the baseline model, that  $R$ 's reservation price  $r_R = p + \Delta - c_R$

$$U_R(\text{accept } x) = x$$

$$U_R(\text{reject } x) = p + \Delta - c_R$$

Unlike in the complete information version,  $D$  is now uncertain over the size of  $\Delta$  and with it,  $R$ 's reservation price  $r_R$ . Thus, in her decision whether to make an offer,  $D$  compares her utility for launching a preventive with her expected utility of making an offer  $x$ . In formulating her optimal offer  $x$ ,  $D$  takes into account that  $\Delta$  ranges between  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p$ . Furthermore, when  $D$  decides to make an offer she must find the optimal tradeoff between making a small and a large offer: while small (large) offers decrease (increase) the probability that  $R$  will accept, they also increase (decrease)  $D$ 's payoff for obtaining  $1 - x$ . The following Lagrangian formalizes this tradeoff:

$$L = (x - p + c_R / 1 - p)(1 - x) + (1 - (x - p + c_R / 1 - p))(1 - p - (x - p + c_R + 1 - p) / 2) - c_D - \lambda(x)$$

The  $(x - p + c_R / 1 - p)$ -term reflects the probability that  $R$  will accept  $x$ , the  $(1 - x)$ -term  $D$ 's payoff for making an acceptable offer, the  $(1 - (x - p + c_R / 1 - p))$ -term the probability that  $D$  will reject and the  $(1 - p - (x - p + c_R + 1 - p) / 2) - c_D$ -term  $D$ 's corresponding utility for being subjected to a violent revision of the status quo. The  $\lambda(x)$ -term is included to ensure that the acceptance probability term  $(x - p + c_R / 1 - p)$  never exceeds the value of 1. Note that  $R$ 's maximum reservation price is  $r_{max} = p + \Delta_{max} - c_R = 1 - c_R$ , which means that offer  $x_{max} = 1 - c_R$  suffices to accommodate all  $R$ -types.

Taking the first derivative of  $L$  with respect to  $x$  and setting the result equal to zero yields two optimal offers:  $D$  offers  $x_1 = p + c_D$  if  $p < p^* = 1 - c_R - c_D$ . If  $p \geq p^*$ , the  $\lambda$ -constraint is binding and  $D$  offers  $x_2 = 1 - c_R$ . Note that the critical  $p$ -value that drives  $x_1$  and  $x_2$

corresponds to the  $p$ -threshold  $p^*=1-c_R-c_D$  we identified in *Definition 2* and which distinguishes between “non-revisionist” and “potentially revisionist” rising states. Hence,  $x_1$  constitutes  $D$ 's optimal offer if  $R$  is a potential revisionist, while  $x_2$  is  $D$ 's optimal offer if  $R$  is a non-revisionist.

When does  $D$  prefer making an optimal offer to waging a preventive war? If  $R$  is a potential revisionist where  $p < p^*$ ,  $D$  strongly prefers to launch a preventive strike to offering  $x_1$ . This can be obtained from comparing the payoffs below and while keeping in mind that  $p < p^*$ :

$$\begin{aligned} EU_D(\text{offer } x_R = p + c_D | p \leq p^*) &= -((c_R^2 + 2c_Rc_D + (-1 + c_D + p)^2) / (2(-1 + p))) \\ U_D(\text{prevent}) &= 1 - p - c_D \end{aligned}$$

If  $R$  is non-revisionist because  $p \geq p^*$ ,  $D$  weakly prefers offering  $x_2$  to launching a preventive strike. This result can again be obtained by comparing the payoffs below.

$$\begin{aligned} EU_D(\text{offer } x_R = 1 - c_R | p \geq p^*) &= c_R \\ U_D(\text{prevent}) &= 1 - p - c_D \end{aligned}$$

Taken together,  $D$  prefers launching a preventive strike to making offer if  $p < p^*$  and offers  $x^* = 1 - c_R$  if  $p \geq p^*$  in equilibrium. Note that if  $D$  offers  $x^*$ ,  $R$  weakly prefers accepting  $x^*$  to rejecting as  $p + \Delta_{max} \leq 1$ . Consider the payoffs below:

$$\begin{aligned} U_R(\text{accept } x^* = 1 - c_R) &= 1 - c_R \\ U_R(\text{reject } x^* = 1 - c_R) &= p + \Delta - c_R \end{aligned}$$

For the sake of completeness, also note that if  $R$  is potential revisionist,  $D$ 's optimal offer  $x_1$  will be accepted by de facto non-revisionists where  $\Delta \leq \Delta^* = c_R + c_D$  and rejected by de facto revisionists where  $\Delta > \Delta^*$ .

$$\begin{aligned} U_R(\text{accept } x_1 = p + c_D) &= p + c_D \\ U_R(\text{reject } x_1 = p + c_D) &= p + \Delta - c_R \end{aligned}$$

### SC-Model Equilibrium I: SC-Silence and Accommodation

If Player's 1 ex ante relative capabilities are sufficiently high, i.e., if  $p \geq p^* = 1 - c_R - c_D$ ,  $D$  knows that he must be facing a non-revisionist where  $\Delta_{max} \leq \Delta^* = c_R + c_D$ . This can be derived from the general constraint that  $p + \Delta_{max} \leq 1$ .

$R$  accepts  $D$ 's offer if  $x \geq p + \Delta - c_R$ . Since the costs for any  $s_c$  will be incurred regardless of whether  $R$  accepts or rejects  $x$ , the  $s_c$ -term can be omitted from  $R$ 's decision whether to accept or reject an offer.

$$\begin{aligned} U_R(s_c > 0, \text{ accept } x^* | p \geq p^*) &= x^* - s_c \\ U_R(s_c > 0, \text{ reject } x^* | p \geq p^*) &= p + \Delta - c_R - s_c \end{aligned}$$

Since a non-revisionist's power shift is constrained to  $\Delta_{max} \leq \Delta^* = c_R + c_D$ , his highest reservation price for accepting an offer is  $r_R = p + c_D = I - c_R$ , regardless of  $s_c$ .

While  $D$  knows that such a constrained power shift will leave a bargaining space in which a lucrative offer is possible, he does not know the exact magnitude of the power shift which ranges between  $\Delta_l = 0$  and  $\Delta_{max} \leq \Delta^* = c_R + c_D$ .  $D$ 's optimal offer when facing a necessarily weak or potentially moderate gainer is the value of  $x$  that optimizes the following Lagrangian:

$$L = (x - p + c_R / (1 - p))(1 - x) + (I - (x - p + c_R / (1 - p)))(1 - p - (x - p + c_R + I - p) / 2) - c_D - \lambda(x)$$

The Lagrangian reflects the fact that small (larger) offers are less (more) likely to be accepted, but leave a higher (smaller) residual value  $I - x$  than large (small) offers if accepted. Also, the Lagrangian takes into account that the costliness of having an offer rejected is contingent upon  $x$  as well. The  $\lambda$ -constraint is used to ensure that the acceptance probability  $(x - p + c_R / (1 - p)) \leq I$ . Setting  $\lambda = -(-I + c_R + c_D + p + s_c) / (-I + p)$  results in an optimal offer of  $x = I - c_R$  which solves the first-order condition. Comparing the payoffs below shows that  $D$  makes the equilibrium offer  $x^* = I - c_R$  if  $c_R + c_D \geq I - p$  which is true by definition when  $D$  is facing a non-revisionist with  $p \geq p^*$  (see above).

$$\begin{aligned} EU_D(x = I - c_R | p \geq p^*, \forall s_c) &= c_R \\ U_D(\text{prevent} | p \geq p^*, \forall s_c) &= I - p - c_D \end{aligned}$$

Non-revisionists' preference for never sending a sunk cost-signal signal and accepting  $D$ 's offer  $x^*$  can be obtained by comparing the following the payoffs.

$$\begin{aligned} U_R(s_c = 0, \text{accept } x^* | p \geq p^*) &= I - c_R \\ U_R(s_c = 0, \text{reject } x^* | p \geq p^*) &= p + \Delta - c_R \\ U_R(s_c < 0, \text{accept } x^* | p \geq p^*) &= I - c_R - s_c \\ U_R(s_c < 0, \text{reject } x^* | p \geq p^*) &= p + \Delta - c_R - s_c \end{aligned}$$

### SC-Model Equilibrium II: SC-Silence and Prevention

The proof for this equilibrium follows that same logic as the previous proof. If  $R$ 's ex ante capabilities are sufficiently low, i.e.,  $p < p^* = I - c_R - c_D$ ,  $D$  knows that  $R$  is a potential revisionist because  $R$  may experience a power shift that is sufficiently large to eliminate the bargaining space ( $\Delta_{max} > \Delta^* = c_R + c_D$ ).

$R$  accepts  $D$ 's offer if  $x \geq p + \Delta - c_R$ . Since  $s_c$  will be incurred regardless of whether  $R$  accepts or rejects  $x$ , it cancels out of  $R$ 's decision-making calculus.

$$\begin{aligned} U_R(s_c < 0, \text{accept } x^* | \forall p) &= x^* - s_c \\ U_R(s_c < 0, \text{reject } x^* | \forall p) &= p + \Delta - c_R - s_c \end{aligned}$$

$D$ 's optimal offer in response to facing a strong gainer is the value of  $x$  that optimizes the following Lagrangian:

$$L=(x-p+c_R/1-p)(1-x)+(1-(x-p+c_R/1-p))(1-p-(x-p+c_R+1-p)/2)-c_D-\lambda(x)$$

The  $\lambda$ -constraint is used to ensure that the acceptance probability  $(x-p+c_R/1-p)\leq 1$ . Setting  $\lambda=0$  results in an optimal offer of  $x^*=p+c_D$  which solves the first-order condition. Comparing the payoffs below shows that  $D$  never offers  $x^*$  if  $c_R+c_D<1-p$  which is true by definition when  $D$  is facing a potential revisionist where  $p<p^*$ .

$$EU_D(x=x^*|p<p^*, \forall s_c) = -(c_R^2+2c_Rc_D+(-1+c_D+p)^2)/(2(-1+p))$$

$$U_D(\text{prevent}|p<p^*, \forall s_c) = 1-p-c_D$$

Given that  $D$  will launch a preventive strike in equilibrium, a potential revisionist will never send a sunk cost signal, regardless over whether she would accept or reject  $x^*$ . This can be obtained by comparing the following the payoffs.

$$U_R(s_c=0, \text{accept } x^*|p<p^*, \Delta\leq\Delta^*) = p-c_R$$

$$U_R(s_c<0, \text{accept } x^*|p<p^*, \Delta\leq\Delta^*) = p-c_R-s_s$$

$$U_R(s_c=0, \text{reject } x^*|p<p^*, \Delta>\Delta^*) = p-c_R$$

$$U_R(s_c<0, \text{reject } x^*|p<p^*, \Delta>\Delta^*) = p-c_R-s_s$$

#### AC-Model Equilibrium Ia, Ib: AC-Coercion and Accommodation

If Player's 1 ex ante relative capabilities are sufficiently high, i.e.,  $p\geq p^*=1-c_R-c_D$ ,  $D$  knows that even a maximal power shift  $\Delta_{max}\leq\Delta^*$  will leave a bargaining space in which a lucrative offer is possible. However,  $D$  does not know the exact magnitude of the power shift in favor of a non-revisionist: her prior beliefs are that  $\Delta$  has a uniform distribution with a lower boundary  $\Delta_l=0$  and an upper boundary  $\Delta_{max}<\Delta^*$ .  $D$  can exploit  $R$ 's uncertainty by sending a signal of coercion to extract a maximum offer.

Suppose a weak gainer sends a audience cost-based signal of coercion  $s_{ac}>0$ , which yields a reservation price of  $r_R\geq p+\Delta-c_R+s_{ac}$ , which means that  $x_{ac}\geq p+\Delta-c_R+s_{ac}$  for  $R$  to accept. Rearranging terms shows that  $R$  accepts a given offer  $x_{ac}$  if  $\Delta\leq x-p+c_R-s_{ac}$  and rejects otherwise.

$D$ 's optimal offer in response to a signal of coercion is the value of  $x$  that optimizes the following Lagrangian:

$$L=(x-p+c_R-s_{ac}/1-p)(1-x)+(1-(x-p+c_R-s_{ac}/1-p))(1-p-(x-p+c_R-s_{ac}+1-p)/2)-c_D-\lambda(x)$$

The  $\lambda$ -constraint is used to ensure that the acceptance probability  $(x-p+c_R-s_{ac}/1-p)\leq 1$ . Setting  $\lambda=-(-1-c_R-c_D-p-s_{ac})/(-1+p)$  results in an optimal offer of  $x_{ac}=1-c_R+s_{ac}$  which solves the first-order condition. Comparing the payoffs below shows that  $D$  makes the equilibrium offer  $x_{ac}^*=1-c_R+s_{ac}$  if and only if  $s_{ac}\leq s_{ac}^*=-1+c_R+c_D+p$ .

$$EU_D(x_{ac}=1-c_R+s_{ac}|p\geq p^*, s_{ac}\leq -1+c_R+c_D+p) = c_R-s_{ac}$$

$$EU_D(\text{prevent}|p \geq p^*, s_{ac} \leq -1 + c_R + c_D + p) = 1 - p - c_D$$

$R$ 's preference for always sending an audience cost-based signal of coercion  $s_{ac}$  and accepting the resulting offer  $x_{ac}^* = 1 - c_R + s_{ac}$  if  $p > p^*$  can be obtained from comparing the payoffs below. Note that  $R$  will never send a signal of reassurance  $s_a < 0$ , because this would only result in a decrease of the  $D$ 's offer  $x$ .

$$\begin{aligned} U_R(s_{ac} \leq -1 + c_R + c_D + p, \text{accept } x_{ac}^* | p > p^*) &= 1 - c_R + s_{ac} - \gamma_a (s_{ac})^2 \\ EU_R(s_{ac} \leq -1 + c_R + c_D + p, \text{reject } x_{ac}^* | p > p^*) &= p + \Delta - c_R + s_{ac} - \gamma_a (s_{ac})^2 \\ U_R(s_a = 0, \text{accept } x_{ac}^* | p > p^*) &= 1 - c_R \\ EU_R(s_{ac} > -1 + c_R + c_D + p | p > p^*) &= p - c_R - \gamma_a (s_{ac})^2 \\ EU_R(s_a < 0 | p > p^*) &= 1 - c_R - s_{ar} - \gamma_a (s_{ar})^2 \end{aligned}$$

A special case arises if  $R$  is a non-revisionist and the knife-edge condition of  $p = p^* = 1 - c_R - c_D$  holds. Recall that  $D$  will only make an equilibrium offer if  $s_{ac} \leq s_{ac}^* = -1 + c_R + c_D + p$ . Hence, if  $p = p^*$ , it has to be case that  $s_a \leq 0$  for  $R$  to obtain an offer and avoid prevention. Differently put,  $R$  cannot afford to coerce  $D$  if  $p = p^*$ , which means that  $R$ 's optimal signal is  $s_a^* = 0$ . Furthermore,  $D$ 's offer simplifies into  $x_{ac}^* = 1 - c_R - s_a^* = 1 - c_R$ , which  $D$  will always accept. This can be obtained from comparing the payoff below.

$$\begin{aligned} U_R(s_a^* = 0, \text{accept } x_{ac}^* | p = p^*) &= 1 - c_R \\ U_R(s_a^* = 0, \text{reject } x_{ac}^* | p = p^*) &= p + \Delta - c_R \\ EU_R(s_{ac} > s_a^* = -1 + c_R + c_D + p, \text{accept } x \geq x^* | p = p^*) &= p - c_R - \gamma_a (s_a)^2 \end{aligned}$$

The precise value of  $s_{ac}$  and  $D$ 's optimal offer  $x_{ac}$  further depends on the magnitude of  $\gamma_a$ . If  $\gamma_a$  is sufficiently low, i.e.,  $\gamma_a \leq \gamma_a^*$ ,  $R$  will fully exploit the bargaining range by sending  $s_{ac}^* = -1 + c_R + c_D + p$  in equilibrium. However, if the opportunity cost factor  $\gamma_a > \gamma_a^*$ , it is more profitable for  $D$  to send to send a smaller signal of coercion  $s_a^{**} = 1/2\gamma_a$ .

In order to see this, note that if we take the first derivative from  $R$ 's payoff  $1 - c_R + s_{ac} - \gamma_a (s_{ac})^2$  for coercing  $D$  and obtaining an offer and solve for  $s_{ac}$ , it turns out that  $R$  maximizes his payoff by setting  $s_{ac}^{**} = 1/2\gamma_a$ . However, in order to avoid provoking a preventive strike it has to be the case that  $s_{ac}^{**} \leq s_{ac}^* = -1 + c_R + c_D + p$ . Solving for  $\gamma_a$  shows that this inequality can only hold if  $\gamma_a \geq \gamma_a^* = 1/2 + 2c_R + 2c_D + 2p$ . Furthermore, since it is assumed that  $0 \leq \gamma_a \leq 1$ ,  $\gamma_a^*$  can only be binding if  $\gamma_a^* \leq 1$ , which can only occur if  $p \geq p^{**} = 1/2(3 - 3c_R - 2c_D)$ . Hence, if  $\gamma_a \leq \gamma_a^*$ ,  $R$  sends  $s_{ac}^* = -1 + c_R + c_D + p$  in equilibrium. In response to  $s_{ac}^*$ ,  $D$  offers  $x^* = 1 - c_R + s_{ac}^*$ . If  $\gamma_a > \gamma_a^*$ ,  $R$  sends  $s_{ac}^{**} = 1/2\gamma_a$  in equilibrium. Since  $s_{ac}^{**} < s_{ac}^*$  if  $\gamma_a > \gamma_a^*$ ,  $D$  reduces his offer to  $x_{ac}^{**} = 1 - c_R + s_{ac}^{**}$  in response to  $s_{ac}^{**}$  as  $1 - x^{**} > 1 - x^*$ .



AC-Model Equilibrium II: AC-Reassurance and Accommodation  
AC-Model Equilibrium III: AC-Silence and Prevention

If  $R$ 's ex ante capabilities are sufficiently low, i.e.,  $p < p^* = 1 - c_R - c_D$ ,  $D$  knows that the  $R$  is potential revisionist because  $\Delta_{max} = 1 - p > \Delta^*$ . In order to avoid prevention and obtain an offer,  $R$  has to send a signal of reassurance  $s_{ar} < 0$ .

Suppose a potential revisionist sends  $s_{ar} < 0$  which yields a reservation price of  $r_R \geq p + \Delta - c_R - s_{ar}$ . Rearranging for  $\Delta$  shows that  $R$  accepts a given offer  $x$  if  $\Delta \leq x - p + c_R - s_{ar}$  and rejects otherwise.

$D$ 's optimal offer in response to a signal of reassurance is the value of  $x$  that optimizes the following Lagrangian:

$$L = (x - p + c_R - s_a / 1 - p)(1 - x) + (1 - (x - p + c_R - s_a / 1 - p))(1 - p - (x - p + c_R - s_a + 1 - p) / 2) - c_D - \lambda(x)$$

The  $\lambda$ -constraint is used to ensure that the acceptance probability  $(x - p + c_R + s_{ar} / 1 - p) \leq 1$ . Setting  $\lambda = -(-1 - c_R - c_D - p - s_{ar}) / (-1 + p)$  results in an optimal offer of  $x_{ar} = 1 - c_R - s_{ar}$  which solves the first-order condition. Comparing the payoffs below shows that  $D$  makes the equilibrium offer  $x_{ar}^* = 1 - c_R - s_a$  if and only if  $s_a \leq 1 - p - c_R - c_D$ , regardless of whether  $s_a$  occurs on or off the equilibrium path. If  $s_a > 1 - p - c_R - c_D$ ,  $D$  will take preventive action in equilibrium.

$$EU_D(x_{ar} = 1 - c_R - s_{ar} | p < p^*, s_{ar} \geq 1 - p - c_R - c_D) = c_R + s_a$$

$$U_D(\text{prevent} | p < p^*, s_{ar} \geq 1 - p - c_R - c_D) = 1 - p - c_D$$

Given that  $D$  will offer  $x_{ar}^*$  if  $s_{ar} \leq 1 - p - c_R - c_D$ ,  $R$  will send  $s_{ar}^* = 1 - p - c_R - c_D$  in equilibrium if  $\gamma_a \leq \gamma_a^{**} = c + c_D / (1 - c_R - c_D - p)^2$ . The following payoffs show why this is the case. Recall that if  $R$  sends  $s_a > s_{ar}^*$ ,  $D$  will not offer  $x^*$  but resort to prevention. Since  $R$  wants to minimize his opportunity costs in the case of prevention, he is best off by sending  $s_a = 0$  if he decides not to send  $s_{ar}^*$ . Also note that if  $R$  sends  $s_{ar}^*$ , he will accept  $x_{ar}^*$ , regardless of  $\Delta$ . Since  $R$  weakly prefers accepting  $x_{ar}^*$  to revising the status quo if  $\Delta = \Delta_{max} = 1 - p$ , it follows that less revisionist  $R$ -types with  $\Delta < \Delta_{max}$  strongly prefer to accept  $x_{ar}^*$ .

$$U_R(s_a = 0, \text{accept } x \geq r_R) = p - c_R$$

$$U_R(s_a > 0, \text{accept } x \geq r_R) = p - c_R - \gamma_a(s_a)^2$$

$$U_R(s_{ar}^* = 1 - p - c_R - c_D, \text{accept } x_{ar}^* | p < p^*) = p + c_D - \gamma_a(1 - p - c_R - c_D)^2$$

$$U_R(s_{ar}^* = 1 - p - c_R - c_D, \text{reject } x_{ar}^* | p < p^*) = p + \Delta - c_R - s_{ar}^* - \gamma_a(1 - p - c_R - c_D)^2 = 1 - 2p + \Delta + c_D - \gamma_a(1 - p - c_R - c_D)^2$$

$$U_R(s_{ar} < 1 - p - c_R - c_D, \text{accept } x_{ar}^* | p < p^*) = 1 - c_R - s_{ar} - \gamma_a(s_a)^2$$

Given  $R$ 's payoff for enduring prevention in silence, a simple comparison of payoffs shows that  $R$  only sends his optimal signal of reassurance  $s_{ar}^*$  if  $\gamma_a \leq \gamma_a^{**} = c + c_D / (1 - c_R - c_D - p)^2$ . The value of  $\gamma_a^{**}$  can be obtained by comparing the payoffs below.

$$U_R(s_a=0, \text{ accept } x \geq r_R | p < p^*) = p - c_R$$

$$U_R(s_{ar}^* = 1 - p - c_R - c_D, \text{ accept } x_{ar}^* | p < p^*) = p + c_D - \gamma_a (1 - p - c_R - c_D)^2$$

### SRTH-Model Equilibrium Ia and Ib: SRTH-Coercion and Accommodation.

If  $R$ 's ex ante relative capabilities are sufficiently high, i.e.,  $p \geq p^* = 1 - c_R - c_D$ ,  $D$  knows that  $R$ 's maximal power shift  $\Delta_{max} = 1 - p$  will remain below the critical threshold  $\Delta^* = c_R + c_D$ . This means that even a maximal power shift will leave a bargaining space in which a lucrative offer is possible. However,  $D$  does not know the exact magnitude of the power shift in favor of a weak gainer: his prior beliefs are that  $\Delta$  has a uniform distribution with a lower boundary  $\Delta_l = 0$  and an upper boundary  $\Delta_{max} \leq \Delta^*$ .  $R$  can exploit the slack in the bargaining range by issuing a security-related tying-hands signal of coercion in order to induce  $D$  to make a better offer.

Suppose a weak gainer sends  $s_{sc} > 0$ , which yields a reservation price of  $x \geq p + \Delta - c_R + s_{sc}$ . Rearranging for  $\Delta$  means that  $R$  accepts offer  $x$  if  $\Delta \leq x - p + c_R + s_s$  and rejects otherwise.

$D$ 's optimal offer in response to a signal of coercion  $s_{sc}$  is the value of  $x$  that optimizes the following Lagrangian:

$$L = (x - p + c_R - s_s / 1 - p)(1 - x) + (1 - (x - p + c_R - s_s / 1 - p))(1 - p - (x - p + c_R - s_s + 1 - p) / 2) - c_D - s_s - \lambda(x)$$

The  $\lambda$ -constraint is used to ensure that the acceptance probability  $(x - p + c_R - s_{sc} / 1 - p) \leq 1$ . Setting  $\lambda = -(-1 - c_R - c_D - p) / (-1 + p)$  results in an optimal offer of  $x_{sc} = 1 - c_R + s_{sc}$  which solves the first-order condition. Comparing the payoffs below shows that  $D$  makes the equilibrium offer  $x_{sc}^* = 1 - c_R + s_{sc}$  offer if  $s_s \leq s_{sc}^* = -1 + c_R + c_D + p$ , regardless of whether  $s_{sc}$  occurs on or off the equilibrium path.

$$EU_D(x = 1 - c_R + s_s | p \geq p^*, s_s \leq -1 + c_R + c_D + p) = c_R - s_s$$

$$U_D(\text{prevent} | p \geq p^*, s_s \leq -1 + c_R + c_D + p) = 1 - p - c_D$$

$R$ 's preference for always sending a security-related tying-hands signal of coercion  $s_{sc} > 0$  and accepting the resulting offer  $x_{sc}^* = 1 - c_R + s_{sc}$  can be obtained from comparing the payoffs below. Note that  $R$  will never send a signal of reassurance  $s_s < 0$ , because this would only result in a decrease of the  $D$ 's offer  $x_{sc}^*$ .

$$U_R(s_{sc} \leq -1 + c_R + c_D + p, \text{ accept } x_{sc}^* | p > p^*) = 1 - c_R + s_{sc} - \gamma_s (s_{sc})^2$$

$$EU_R(s_{sc} \leq -1 + c_R + c_D + p, \text{ reject } x_{sc}^* | p > p^*) = p + \Delta - c_R + s_{sc} - \gamma_s (s_{sc})^2$$

$$U_R(s_s = 0, \text{ accept } x \geq r_R | p > p^*) = 1 - c_R$$

$$U_R(s_{sc} > -1 + c_R + c_D + p, \text{ accept } x \geq r_R | p > p^*) = p - c_R - \gamma_s (s_{sc})^2$$

$$EU_R(s_s < 0, \text{ accept } x \geq r_R | p > p^*) = 1 - c_R - s_s - \gamma_s (s_s)^2$$

A special case arises if  $R$  is a non-revisionist and the knife-edge condition of  $p = p^* = 1 - c_R - c_D$  holds. Recall that  $D$  will only make her equilibrium offer if  $s_{sc} = s_{sc}^* \leq -1 + c_R + c_D + p$ . Hence, if  $p = p^*$ , it has to be case that  $s_s \leq 0$  for  $R$  to obtain an offer and avoid prevention. Differently put,  $R$  cannot afford to coerce  $D$  if  $p = p^*$ , which means that  $R$ 's optimal signal

is  $s_s^*=0$ . Furthermore,  $D$ 's offer simplifies into  $x_{sc}^*=1-c_R-s_s^*=1-c_R$ , which  $D$  will always accept. This can be obtained from comparing the payoff below.

$$\begin{aligned} U_R(s_s^*=0, \text{accept } x^*|p=p^*) &= 1-c_R \\ U_R(s_s^*=0, \text{reject } x^*|p=p^*) &= p+\Delta-c_R \\ EU_R(s_s>0, \text{accept } x\geq r_R|p=p^*) &= p-c_R-\gamma_s(s_s)^2 \end{aligned}$$

The precise value of  $s_{sc}$  depends on the magnitude of  $\gamma_s$ . If  $\gamma_s$  is sufficiently low,  $R$  will fully exploit the bargaining range by sending  $s_{sc}^*=-1+c_R+c_D+p$  in equilibrium. However, if the opportunity cost factor  $\gamma_s$  is sufficiently large, it is more profitable for  $D$  to send to send a smaller signal of coercion  $s_{sc}^{**}=1/2\gamma_s$ .

In order to see this, note that if we take the first derivative from  $R$ 's payoff  $1-c_R+s_{sc}-\gamma_a(s_{sc})^2$  for coercing  $D$  and obtaining an offer and solve for  $s_{sc}$ , it turns out that  $R$  maximizes his payoff by setting  $s_{sc}^{**}=1/2\gamma_c$ . However, in order to avoid provoking a preventive strike it has to be the case that  $s_{sc}^{**}\leq s_{sc}^*=-1+c_R+c_D+p$ . Solving for  $\gamma_s$  shows that this inequality can only hold if  $\gamma_s\geq\gamma_s^*=1/-2+2c_R+2c_D+2p$ . Furthermore, since it is assumed that  $0\leq\gamma_s\leq 1$ ,  $\gamma_s^*$  can only be binding if  $\gamma_s^*\leq 1$ , which can only occur if  $p\geq p^{**}=1/2(3-3c_R-2c_D)$ . Hence, if  $\gamma_s\leq\gamma_s^*$ ,  $R$  sends  $s_{sc}^*=-1+c_R+c_D+p$  in equilibrium. In response to  $s_{sc}^*$ ,  $D$  offers  $x^*=1-c_R+s_s^*$ . If  $\gamma_s>\gamma_s^*$ ,  $R$  sends  $s_{sc}^{**}=1/2\gamma_s$  in equilibrium. Since  $s_{sc}^{**}<s_{sc}^*$  if  $\gamma_s>\gamma_s^*$ ,  $D$  reduces his offer to  $x_{sc}^{**}=1-c_R+s_{sc}^{**}$  in response to  $s_{sc}^{**}$ .

### SRTH-Model Equilibrium IIa: SRTH-Reassurance and Risky Offer

If Player's 1 ex ante relative capabilities are sufficiently low, i.e.,  $p<p^*=1-c_R-c_D$ ,  $D$  knows that  $R$  is a potential revisionist because  $\Delta_{max}=1-p>\Delta^*$ . In order to avoid prevention and obtain an offer,  $R$  has to send a signal of reassurance  $s_{sr}<0$ .

Suppose a potential revisionist sends signal of reassurance  $s_{sr}<0$  which yields a reservation price of  $x\geq p+\Delta-c_R-s_{sr}$ . Rearranging for  $\Delta$  means that  $R$  accepts a given offer  $x$  if  $\Delta\leq x-p+c_R-s_{sr}$  and rejects otherwise.

$D$ 's optimal offer in response to a signal of reassurance is the value of  $x$  that optimizes the following Lagrangian:

$$L=(x-p+c_R+s_{sr}/1-p)(1-x)+(1-(x-p+c_R+s_{sr}/1-p))(1-p-(x-p+c_R+s_{sr}+1-p)/2)-c_D+s_{sr}-\lambda(x)$$

The  $\lambda$ -constraint is used to ensure that the acceptance probability  $(x-p+c_R+s_{sr}/1-p)\leq 1$ . Setting  $\lambda=0$  results in an optimal offer of  $x_{sr}=p+c_D-s_{sr}$  which solves the first-order condition. Comparing the payoffs below shows that  $D$  makes the equilibrium offer  $x_{sr}^*=p+c_D-s_{sr}$  if and only if  $s_{sr}\leq s_{sr}^*=c_R+2c_Rc_D+c_D-(-1-p)^2/2(1-p)$ , regardless of whether  $s_{sr}$  occurs on or off the equilibrium path.

$$\begin{aligned} EU_D(x=p+c_D-s|p<p^*, s_s\leq s_{sr}^*) &= (-c_R^2+c_Rc_D+c_D^2+2c_D(1-p)+(-1+p)(-1+p-2s_s)/2(-1+p) \\ U_D(\text{prevent}|p<p^*, s_s\leq s_{sr}^*) &= 1-p-c_D \end{aligned}$$

Importantly, it has to be kept in mind that  $D$  is not allowed to make negative offers. The requirement that  $x_{sr}^* \geq 0$  holds if  $p \geq p^{***} = 1/3(2 - c_D - \sqrt{1 + 3c_R^2 + 2c_D + 6c_Rc_D + 4c_D^2})$ . The value of  $p^{***}$  can be obtained by solving the following equation for  $p$ :

$$x_{sr}^* = p + c_D - s_{sr}^* = p + c_D - (c_R + 2c_Rc_D + c_D - (-1-p)^2/2(1-p)) \geq 0$$

If  $R$  decides to send a signal of reassurance, he accepts  $D$ 's equilibrium offer  $x_{sr}^*$  if and only if  $\Delta \leq c_R + c_D$  and rejects otherwise. In other words, de facto non-revisionists ( $\Delta \leq \Delta^*$ ) will accept  $x^*$ , while de facto revisionists ( $\Delta > \Delta^*$ ) will reject  $x_{sr}^*$ . The  $\Delta$ -cutpoint for accepting and rejecting  $x^*$  can be obtained by comparing the payoffs below.

$$U_R(s_{sr}^* = c_R + 2c_Rc_D + c_D - (-1-p)^2/2(1-p), \text{ accept } x_{sr}^* | p < p^*, \gamma_s \leq \gamma_s^*) = p + c_D - s_{sr}^* - \gamma(s_{sr}^*)^2$$

$$U_R(s_{sr}^* = c_R + 2c_Rc_D + c_D - (-1-p)^2/2(1-p), \text{ reject } x_{sr}^* | p < p^*, \gamma_s \leq \gamma_s^*) = p + \Delta - c_R - s_{sr}^* - \gamma(s_{sr}^*)^2$$

Finally, de facto weak gainers will send a signal of reassurance  $s_{sr}^*$  if  $\gamma_s \leq \gamma_s^{**} = -\frac{(2(c_R^2 + c_D^2 + 2c_R(1 + c_D - p) - 2c_D(-1 + p)) - (-1 + p)^2 - (1 + p)/((c_R^2 + 2c_Rc_D + c_D^2 - (-1 + p)^2)))}{2}$ . The value of  $\gamma_s^*$  can be obtained from comparing the following payoffs:

$$U_R(s_{sr}^*, \text{ accept } x^* | p < p^*, \Delta \leq c_R + c_D) = p + c_D - s_{sr}^* - \gamma_s(s_{sr}^*)^2$$

$$U_R(s_s = 0, \text{ accept } x^* | p < p^*, \Delta \leq c_R + c_D) = p - c_R$$

Since de facto revisionists' utility for rejecting  $x_{sr}^*$  exceeds non-revisionists' utility for accepting  $x_{sr}^*$ , the latter are the first ones to opt out of sending  $s_{sr}^*$  as  $\gamma_s$  starts to cross the threshold  $\gamma_s^{**}$ . If  $\gamma_s > \gamma_s^{**}$ , non-revisionists refrain from sending  $s_{sr}^*$ , which means that the pooling *SRTH-equilibrium IIa* collapses.

Finally, it should be noted that the  $\gamma_s^{**}$ -cutpoint can only bind if  $p \geq p^{***} = 1 - c_R - c_D - \sqrt{2}\sqrt{(c_R + c_D)^2}$ . Substitution shows that if  $p < p^{***}$ , then  $\gamma_s^{**} < 0$ , which violates the assumption that  $0 \leq \gamma_s \leq 1$ . Hence, if  $p < p^{***}$ ,  $R$  will prefer to refrain from issuing  $s_{sr}^*$  because it can never be the case that  $\gamma_s \leq \gamma_s^{**}$ .

### SRTH-Model Equilibrium IIb: Reassurance and Risky Offer

This proof follows the same logic as the proof for the SRTH-Equilibrium IIa. As noted above,  $D$  is not allowed to make an offer  $x$  that is smaller than 0. Furthermore, recall from above that for  $D$ 's equilibrium offer  $x_{sr}^* = p + c_D - s_{sr}^* \geq 0$ , it has to be case that  $p \geq p^{***} = 1/3(2 - c_D - \sqrt{1 + 3c_R^2 + 2c_D + 6c_Rc_D + 4c_D^2})$ . If  $p < p^{***}$ , then  $x_{sr}^* = p + c_D - s_{sr}^* < 0$ . Since  $D$  is not allowed to make negative offers, his next best offer is  $x_{sr}^{**} = 0$ .

Plugging  $x_{sr}^{**} = 0$  into  $D$ 's expected utility function for making an offer to a potential revisionist yields the following:

$$EU_D(\text{offer } x_{sr}^{**} = 0 | p < p^*, s_{sr} < 0) = (x - p + c_R - s_{sr}/1 - p)(1 - x) + (1 - (x - p + c_R - s_{sr}/1 - p))(1 - p - (x - p + c_R - s_{sr} + 1 - p)/2) - c_D + s_{sr} = 1 + c_R^2 + 2c_Rc_D - 2p + 2c_D(-1 + s_{sr}) + 2s_{sr} - s_{sr}^2/(2 - 2p)$$

$D$ 's weakly prefers making an offer to launching a preventive strike if  $s_s \leq s_{sr}^{**} = 1 + c_D - \sqrt{(c_R^2 + 2c_D + 2c_R c_D + c_D^2 + 2p - 2c_D p - 2p^2)}$ . The value of  $s_{sr}^{**}$  can be obtained by comparing the respective payoffs for  $D$  and solving for  $s_{sr}$ .

$$\begin{aligned} EU_D(\text{offer } x_{sr}^{**} = 0 | p < p^*, s_{sr} < 0) &= 1 + c_R^2 + 2c_R c_D - 2p + 2c_D(-1 + s_{sr}) + 2s_{sr} - s_{sr}^2 / (2 - 2p) \\ EU_D(\text{prevent} | p < p^*, s_{sr} < 0) &= 1 - p - c_D \end{aligned}$$

If  $R$  sends  $s_{sr}^{**}$ , he accepts  $x_{sr}^{**}$  if  $\Delta \leq \Delta^{**} = 1 + c_R + c_D - p - \sqrt{(c_R + 2c_D + 2c_R c_D + c_D^2 + 2p - 2c_D p - 2p^2)}$  and rejects  $x_{sr}^{**}$  if  $\Delta > \Delta^{**}$ . The value of  $\Delta^{**}$  can be obtained by comparing the payoffs below.

$$\begin{aligned} U_R(s_s = s_s^{**}, \text{accept } x^{**} | p < p^*, \gamma \leq \gamma_s^{**}) &= 0 - \gamma_s(s_s^{**})^2 \\ EU_R(s_s = s_s^{**}, \text{reject } x^{**} | p < p^*, \gamma \leq \gamma_s^{**}) &= p + \Delta - c_R - s_s - \gamma(s_s^{**})^2 \end{aligned}$$

Potential revisionists will pool on  $s_s^{**}$  if  $\gamma_s \leq \gamma_s^{***}$ . Again, for the  $\gamma_s^{***}$ -threshold the critical question is whether non-revisionist types have an incentive to pool on  $s_{sr}^{**}$  because their payoff for averting prevention by sending  $s_{sr}^{**}$  and accepting  $x_{sr}^{**}$  is lower than revisionists' payoff who will reject  $x^{**}$ . The critical value  $\gamma_s^{***} = c_R - p / (1 + c_D - \sqrt{c_R + 2c_R c_D + c_D^2 - c_D(-1 + p) - 2(-1 + p)p})^2$  can be obtained by comparing a non-revisionists' ( $\Delta \leq \Delta^{**}$ ) utility for sending  $x_{sr}^{**}$  and enduring a preventive strike when  $s_s = 0$ .

$$\begin{aligned} U_R(s_{sr}^{**}, \text{accept } x_{sr}^{**} | p < p^*, \Delta \leq \Delta^{**}) &= 0 - \gamma(s_s^{**})^2 \\ EU_R(s_s = 0, \text{accept } x \geq r_R | p < p^*, \Delta \leq \Delta^{**}) &= p - c_R \end{aligned}$$

Finally, it should be noted that the  $\gamma_s^{***}$ -cutpoint can only bind if  $p \leq p^{****} = c_R$ . Substitution shows that if  $p > p^{****}$  then  $\gamma_s^{***} < 0$ , which violates the assumption that  $0 \leq \gamma_s \leq 1$ . Hence, if  $p > p^{****}$ ,  $R$  prefers to refrain from issuing  $s_{sr}^*$  because it can never be the case that  $\gamma_s \leq \gamma_s^{***}$ .

### SRTH-Model Equilibrium III: SRTH-Silence and Prevention

Potential revisionists ( $p < p^*$ ) refrain from sending an SRTH-signal, i.e.,  $s_s^* = 0$  if  $\gamma > \gamma_s^{**}$  and  $p \geq p^{**}$  or if  $\gamma > \gamma_s^{***}$  and  $p < p^{**}$ , respectively. Since  $D$  will only make an offer to a potential revisionist if  $R$  sends a sufficiently strong signal of reassurance,  $D$ 's optimal response to  $s_s^*$  is to take preventive action. This can be obtained by comparing the payoffs below.

$$\begin{aligned} U_D(\text{prevent} | s_s^* = 0, p < p^*) &= 1 - p - c_D \\ U_D(\text{offer } x_{sr}^* | s_s^* = 0, p < p^*) &= -(c_D^2 + 2c_R c_D + (-1 + c_D + p)^2) / 2(-1 + p) \end{aligned}$$

In order to show that these strategies are in equilibrium, it is first demonstrated that no  $R$ -type has an incentive to deviate from sending  $s_s^* = 0$ . Recall from the *SRTH-Model Equilibria IIa* and *IIb* that potential revisionists ( $p < p^*$ ) will have to send  $s_{sr}^* = c_R + 2c_R c_D + c_D - (-1 - p)^2 / 2(1 - p)$  or  $s_{sr}^{**} = 1 + c_D - \sqrt{(c_R^2 + 2c_D + 2c_R c_D + c_D^2 + 2p - 2c_D p - 2p^2)}$  in order to obtain an offer from  $D$ . We further know that potential revisionists with small de facto gains in relative capabilities cease to pool on  $s_{sr}^*$  or  $s_{sr}^{**}$  as soon as  $\gamma_s > \gamma_s^{**}$  or  $\gamma_s > \gamma_s^{***}$ .

because their costs of sending a reassuring signal exceed their benefits of accepting  $D$ 's resulting offer. Thus, if  $\gamma_s > \gamma_s^{**}$  or  $\gamma_s > \gamma_s^{***}$ , but  $R$  nevertheless sends  $s_{sr}^*$  or  $s_{sr}^{**}$ ,  $D$  can infer that he must be facing a strong gainer and would launch a preventive strike.

The question then becomes whether  $R$  can pool on some reassuring signal  $s_{sr}^{\bullet} < s_s^*$  or  $s_{sr}^{\bullet} < s_s^{**}$  in order to elicit an offer  $x_{sr}^{\bullet}$  or  $x_{sr}^{\bullet\bullet}$  from  $D$ . Recall from the previous proofs that  $D$ 's optimal offer  $x_{sr}^* = p + c_D - s_{sr}$  is decreasing in  $s_{sr}$  and that  $x_{sr}^{**} = 0$  is invariant to  $s_{sr}$  if  $s_{sr} < s_{sr}^{**}$ . Thus, if  $R$ -types pooled on  $s_s^{\bullet}$  and  $D$  relied on his priors over  $\Delta$  with  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p$  would offer  $x_{sr}^{\bullet} < x_{sr}^*$  or  $x_{sr}^{\bullet\bullet} = x_{sr}^{**}$ . Since the opportunity cost factors  $\gamma_s^{**}$  and  $\gamma_s^{***}$  already prevent  $R$  with low gains in  $\Delta$  from sending  $s_{sr}^*$  and  $s_{sr}^{**}$ , pooling on  $s_{sr}^{\bullet} < s_{sr}^*$  and  $s_{sr}^{\bullet\bullet} < s_{sr}^{**}$  does not constitute an equilibrium strategy as these signals would fail to elicit a better but generate higher opportunity costs.

$R$  could attempt to play separating strategies in which only rising states with relatively large gains in capabilities would try to obtain an offer by sending some signal  $s_{sr}^{\bullet}$ . In response to  $s_{sr}^{\bullet}$ ,  $D$  could infer that the lower boundary of  $R$ 's power shift is some  $\Delta_l > 0$  and maximize the following Lagrangian:

$$L = (x - p + c_R - s_s - \Delta_l / (1 - p - \Delta_l)) (1 - x) + (1 - (x - p + c_R - s_s - \Delta_l / (1 - p))) (1 - p - (x - p + c_R - s_s + 1 - p) / 2) - c_D + s_s = 1 + c_R^2 + 2c_R c_D - 2p + 2c_D(-1 + s_s) + 2s_s - s_s^2 / (2 - 2p)$$

Taking the first derivative of the Lagrangian with respect to  $x$  and setting the result equal to zero shows that the optimal offer in response to  $s_{sr}^{\bullet}$  is  $x_{sr}^{\bullet} = p + c_D - s_{sr}^{\bullet} + \Delta_l$  if  $s_{sr}^{\bullet} \leq (1 + c_R^2 + 2c_R c_D + c_D + c_D^2 + \Delta_l + 2p - p^2) / (-2 + 2\Delta_l + 2p)$ . Note that  $x_{sr}^{\bullet} = p + c_D - s_{sr}^{\bullet} + \Delta_l$  increases as  $D$ 's beliefs over  $\Delta_l$  become more pessimistic, i.e., as  $\Delta_l$  increases. However, the fact that  $x_{sr}^{\bullet} > x_{sr}^*$  if  $\Delta_l > 0$ , and that it hence becomes possible that  $x_{sr}^{\bullet} - \gamma_s (s_{sr}^{\bullet})^2 > p - c_R$  might induce some  $R$ -types with small gains in relative capabilities to try to pool on  $s_{sr}^{\bullet}$  which destroys  $D$ 's belief that  $\Delta_l > 0$ . Thus, in order to prevent weak gainers from pooling on  $s_{sr}^{\bullet}$ , it has to be case that  $x_{sr}^{\bullet} < p - c_R + \gamma_s (s_{sr}^{\bullet})^2$ , which can be obtained by comparing  $R$ 's payoff for sending  $s_{sr}^{\bullet}$  and accepting  $x_{sr}^{\bullet}$  on the one hand and suffering a preventive strike on the other.

$$U_R(s_{sr}^{\bullet}, \text{accept } x_{sr}^{\bullet} | p < p^*) = x_{sr}^{\bullet} - \gamma_s (s_{sr}^{\bullet})^2$$

$$U_R(s_s = 0, \text{accept } x \geq r_R | p < p^*) = p - c_R$$

While the constraint on  $x_{sr}^{\bullet}$  ensures that potential revisionists with small gains in power will not pool on  $s_{sr}^{\bullet}$ , it also means that these  $R$ -types always prefer enduring a preventive strike to accepting  $x_{sr}^{\bullet}$ . Consequently, only  $R$ -types that plan to revise the status quo will have an incentive to send  $s_{sr}^{\bullet}$ . Given that  $x_{sr}^{\bullet}$  will always be rejected, the question is whether  $D$ 's is still willing to offer  $x_{sr}^{\bullet}$  in response to  $s_{sr}^{\bullet}$ .

Comparing  $D$ 's expected utility for offering  $x_{sr}^{\bullet}$  and launching a preventive strike shows that  $D$  only makes an offer if  $|s_{sr}^{\bullet}| \geq \Delta$ .

$$U_D(\text{offer } x_{sr}^{\bullet} | s_s = s_{sr}^{\bullet}, p < p^*, \gamma_s > \gamma_s^{**} \text{ or } \gamma_s > \gamma_s^{***}) = 1 - p - \Delta - c_D + s_{sr}$$

$$U_D(\text{prevent} | s_s = s_{sr}^{\bullet}, p < p^*, \gamma_s > \gamma_s^{**} \text{ or } \gamma_s > \gamma_s^{***}) = 1 - p - c_D$$

Comparing  $R$ 's payoffs for sending a sufficiently reassuring signal  $|s_{sr}| \geq \Delta$  and enduring a preventive strike shows that  $R$  is not willing to reassure  $D$ . The strongest signal  $s_{sr}$  that  $R$  is willing to send is  $|s_{sr}| + \gamma(|s_{sr}|)^2 \leq \Delta$ .

$$U_R(s_{sr}, \text{reject } x | p < p^*, \gamma_s > \gamma_s^{**} \text{ or } \gamma_s > \gamma_s^{***}) = p - \Delta - c_R |s_{sr}| - \gamma(|s_{sr}|)^2$$

$$U_R(s_s = 0, \text{accept } x \geq r_R | p < p^*, \gamma_s > \gamma_s^{**} \text{ or } \gamma_s > \gamma_s^{***}) = p - c_R$$

Since potential revisionists with large gains in relative capabilities have nothing to gain from trying to separate themselves by sending some reassuring signal  $s_{sr}$ , they will refrain from sending a signal of reassurance altogether. Hence, off the equilibrium path,  $D$  believes that  $\Delta \geq |s_s| + \gamma_s(|s_s|)^2$  if  $R$  sends  $s_{sr}$  despite  $\gamma_s > \gamma_s^{**}$  or  $\gamma_s > \gamma_s^{***}$ , which prompts  $D$  to launch a preventive strike.

### Unified Model Equilibrium Ia, Ib: AC-Coercion and SRTH-Coercion

Recall from the proofs for the *AC-Model Equilibria Ia* and *Ib* and for the *SRTH-Model Equilibria Ia* and *Ib* that  $R$  can coerce  $D$  into making a better offer issuing signals of coercion if  $R$  is a non-revisionist because  $p \geq p^* = 1 - c_R - c_D$ . Specifically,  $R$  can maximize his utility by sending the following AC and SRTH signals of coercion:

$$U_R(s_{ac}^* = -1 + c_R + c_D + p, \text{accept } x_{ac}^* | p > p^*, \gamma_a < \gamma_a^*) = 1 - c_R + s_a - \gamma_a(s_a)^2$$

$$U_R(s_{ac}^{**} = 1/2\gamma_a, \text{accept } x_{ac}^{**} | p \geq p^*, \gamma_a \geq \gamma_a^*) = 1 - c_R + s_a - \gamma_a(s_a)^2$$

$$U_R(s_{sc}^* = -1 + c_R + c_D + p, \text{accept } x_{sc}^* | p > p^*, \gamma_s < \gamma_s^*) = 1 - c_R + s_s - \gamma_s(s_s)^2$$

$$U_R(s_{sc}^{**} = 1/2\gamma_s, \text{accept } x_{sc}^{**} | p \geq p^*, \gamma_s \geq \gamma_s^*) = 1 - c_R + s_s - \gamma_s(s_s)^2$$

Furthermore, recall due to  $R$ 's pooling behavior, that  $D$  relies on his prior beliefs over  $\Delta$  with  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p \leq \Delta^*$  in all of coercive equilibria and offers  $x_i^* = 1 - c_R + s_i^*$  in response to  $s_i^*$  and offers  $x_i^{**} = 1 - c_R + s_i^{**}$  in response to  $s_i^{**}$ .

Since  $U_R(s_i | p \geq p^*)$  is decreasing in  $\gamma_i$ ,  $R$  maximizes his utility by choosing the coercive signal that is associated with the smallest opportunity cost factor. Thus, if  $\gamma_a \leq \gamma_s$ ,  $U_R(s_{ac}^*, s_{ac}^{**}) \geq U_R(s_{sc}^*, s_{sc}^{**})$ ; if  $\gamma_s < \gamma_a$ ,  $U_R(s_{sc}^*, s_{sc}^{**}) > U_R(s_{ac}^*, s_{ac}^{**})$ . The off-equilibrium beliefs and strategies are detailed in the proofs for *AC-Model Equilibria Ia* and *Ib* and for the *SRTH-Model Equilibria Ia* and *Ib*, respectively.

### Unified Model Equilibrium IIa: AC-Reassurance and Accommodation

### Unified Model Equilibrium IIa: SRTH-Reassurance and Risky Offer

### Unified Model Equilibrium III: Silence and Prevention

Recall from the previous analyses and analyses that if  $R$  is a potential revisionist because  $p < p^*$ ,  $R$  will have to reassure  $D$  in order to receive an offer and avoid preventive action. Furthermore, recall from proofs for *AC-Model Equilibria II* and *III* and *SRTH-Model Equilibria IIa*, *IIb* and *III* that if  $R$  plays a pooling strategy, and  $D$  relies on her prior beliefs over  $\Delta$  with  $\Delta_l = 0$  and  $\Delta_{max} = 1 - p > \Delta^* = c_R + c_D$ . Here,  $R$ 's equilibrium signals of

reassurance are  $s_{ar}^*$ ,  $s_{sr}^*$  and  $s_{sr}^{**}$  if his opportunity cost factors  $\gamma_a \leq \gamma_a^{**}$ ,  $\gamma_s \leq \gamma_s^{**}$  and  $\gamma_s < \gamma_s^{***}$ , respectively. If  $R$ 's opportunity cost factors exceed these thresholds,  $R$  refrains from issuing a signal of reassurance (i.e.,  $s_i=0$ ) which induces  $D$  to take preventive action.

In order to lay out  $R$ 's equilibrium behavior when he has both SRTH and AC-signals at his disposal, we will explore the equilibrium space from  $p < p^*$  to  $p=0$ . For the ease of exposition, the first part of the proof examines the signaling behavior of de facto non-revisionists that will accept  $D$ 's equilibrium offers. The second part analyses de facto revisionists incentives to pool on de facto non-revisionists signaling behavior and shows that the unified model does not sustain separating equilibria.

The proof for *SRTH-Model Equilibrium IIa* shows that  $R$  issues  $s_{sr}^* = c_R + 2c_R c_D + c_D - (-1-p)^2 / 2(1-p)$  and obtains  $x_{sr}^*$  if  $p \geq p^{**} = 1/3(2-c_D - \sqrt{1+3c_R^2+2c_D+6c_R c_D+4c_D^2})$  and  $\gamma_s \leq \gamma_s^{**} = -2(c_R^2+c_D^2+2c_R(1+c_D-p)-2c_D(-1+p)-(-1+p)^2 - (1+p)/((c_R^2+2c_R c_D+c_D^2-(-1+p)^2)^2)$ . However, since it is assumed that  $0 \leq \gamma_s \leq 1$ , the latter condition can only hold if it is also the case that  $p \geq p^{***} = 1 - c_R - c_D - \sqrt{2\sqrt{(c_R+c_D)^2}}$ . Furthermore, a comparison of  $p^{**}$  and  $p^{***}$  shows that  $p^{**} \geq p^{***}$  if  $c_D \geq (1 + \sqrt{2-3c_R} - 2\sqrt{2} c_R) / (4 + 3\sqrt{2})$  and  $p^{**} < p^{***}$  if  $c_D \geq (1 + \sqrt{2-3c_R} - 2\sqrt{2} c_R) / (4 + 3\sqrt{2})$ . Hence,  $R$  will prefer issuing  $s_{sr}^*$  to  $s_i=0$  if  $p \geq p^{**}$ ,  $p \geq p^{***}$  and  $\gamma_s \leq \gamma_s^{**}$ .

Turning to  $R$ 's utility for issuing an AC signal of reassurance, recall from the proof for *AC-Model Equilibrium II* that  $R$  issues  $s_{ar}^* = 1 - p - c_R - c_D$  in equilibrium if  $\gamma_a \leq \gamma_a^{**} = c + c_D / (1 - c_R - c_D - p)$ . Comparing  $R$ 's utilities for sending  $s_{sr}^*$  and  $s_{ar}^*$  below reveals that  $R$ 's strictly prefers sending  $s_{ar}^*$  to  $s_{sr}^*$ , as  $U_R(s_{ar}^*) > U_R(s_{sr}^*)$  if  $p \geq p^{**}$  and  $p \geq p^{***}$ . Furthermore, if  $p \geq p^{**}$  and  $p \geq p^{***}$ , it will necessarily be the case that  $\gamma_a \leq \gamma_a^{**}$  as  $\gamma_a^{**} \geq 1$  under these conditions ( $\rightarrow$  *Unified Model Equilibrium IIa: AC-Reassurance and Accommodation*).

$$U_R(s_{ar}^* = 1 - p - c_R - c_D, \text{ accept } x_{ar}^* | p < p^*, p \geq p^{**}, p \geq p^{***}, \gamma_a \leq \gamma_a^*) = p + c_D - \gamma_a(1 - p - c_R - c_D)^2$$

$$U_R(s_{sr}^* = c_R + 2c_R c_D + c_D - (-1-p)^2 / 2(1-p), \text{ accept } x_{sr}^* | p < p^*, p \geq p^{**}, p \geq p^{***}, \gamma_s \leq \gamma_s^*) = p + c_D - s_{sr}^* - \gamma_s(s_{sr}^*)^2$$

Returning to  $R$ 's decision-making calculus for issuing an SRTH signal of reassurance, recall that if  $p \geq p^{**}$  and  $p < p^{***}$ , it will always be the case that  $\gamma_s > \gamma_s^{**}$  as  $\gamma_s^{**} < 0$ . Thus, if  $p \geq p^{**}$  and  $p < p^{***}$ ,  $U_R(s_i=0) > U_R(s_{sr}^* | \forall \gamma_s)$ . This can be obtained from the payoffs below:

$$U_R(s_{sr}^* = c_R + 2c_R c_D + c_D - (-1-p)^2 / 2(1-p), \text{ accept } x_{sr}^* | p < p^*, p \geq p^{**}, p < p^{***}, \gamma_s \leq \gamma_s^*) = p + c_D - s_{sr}^* - \gamma_s(s_{sr}^*)^2$$

$$U_R(s_i=0, \text{ accept } x \geq r_R) = p - c_D.$$

However, if  $p \geq p^{**}$  and  $p < p^{***}$ ,  $R$  prefers sending  $s_{ar}^*$  to  $s_i=0$  if and only if  $\gamma_a \leq \gamma_a^{**}$  ( $\rightarrow$  *Unified Model Equilibrium IIa: AC-Reassurance and Accommodation; Unified Model Equilibrium III: Silence and Prevention*). This result can be obtained by comparing the payoffs below:



$$U_R(s_{ar}^*=1-p-c_R-c_D, \text{ accept } x_{ar}^* | p < p^*, p \geq p^{**}, p < p^{***}) = 1 - c_R + s_{ar}^* - \gamma_a (s_{ar}^*)^2$$

$$U_R(s_a=0, \text{ accept } x \geq r_R | p < p^*, p \geq p^{**}, p < p^{***}) = p - c_D$$

Moving further along the possible parameter values for  $p$ , let us examine the strategic dynamics if  $p < p^*$  and  $p < p^{**}$ . From the *SRTH-Model Equilibrium Iib* we know that  $R$  prefers issuing  $s_{sr}^{**} = 1 + c_D - \sqrt{(c_R^2 + 2c_D + 2c_R c_D + c_D^2 + 2p - 2c_D p - 2p^2)}$  to issuing  $s_i = 0$  if  $p < p^{**}$  and  $\gamma_s \leq \gamma_s^{***} = c_R p / (1 + c_D - \sqrt{c_R + 2c_R c_D + c_D^2 - c_D(-1+p) - 2(-1+p)p})^2$ . However, for  $\gamma_s^{***} \geq 0$ , it also has to be case that  $p \leq p^{****} = c_R$ . Hence, if  $p < p^{**}$  and  $p \leq p^{****}$ , will prefer issuing  $s_{sr}^{**}$  to  $s_i = 0$  if  $\gamma_s \leq \gamma_s^{***}$ . If it is also the case that  $\gamma_a > \gamma_a^{**}$ , AC-reassurance is no feasible alternative, which means that  $R$  issues  $s_{sr}^{**}$  in equilibrium ( $\rightarrow$  *Unified Model Equilibrium Iib: SRTH-Reassurance and Risky Offer*).

If AC-reassurance is a feasible alternative because  $\gamma_a \leq \gamma_a^{**}$ , then  $R$  will only opt for SRTH-reassurance with  $s_{sr}^{**}$  if  $\gamma_s \leq \gamma_s^{****} = -(c_D + p - (-1 + c_R + c_D + p)^2 \gamma_a) / (1 + c_D - \sqrt{(c_R^2 + 2c_R c_D + c_D - 2c_D(-1+p) - 2(-1+p)p)})^2$  ( $\rightarrow$  *Unified Model Equilibrium Iib: SRTH-Reassurance and Risky Offer*). This can be obtained by comparing the payoffs below:

$$U_R(s_{sr}^{**}, \text{ accept } x_{sr}^{**} | p < p^*, p < p^{**}, p \geq p^{****}) = -\gamma_s (1 + c_D - \sqrt{(c_R^2 + 2c_D + 2c_R c_D + c_D^2 + 2p - 2c_D p - 2p^2)})^2$$

$$U_R(s_{ar}^*, \text{ accept } x_{sr}^* | p < p^*, p < p^{**}, p \geq p^{****}) = p + c_D - \gamma_a (1 - p - c_R - c_D)^2$$

Note that the conditions for SRTH-reassurance to constitute  $R$ 's equilibrium also imply the circumstances under which  $R$  will send  $s_{ar}^*$  or  $s_i = 0$ . If both SRTH and AC-reassurance are feasible because  $\gamma_a \leq \gamma_a^{**}$  and  $\gamma_s \leq \gamma_s^{**}$ ,  $R$  will issue  $s_{ar}^*$  if  $\gamma_a \leq \gamma_a^{***} = c_D + p + (1 + c_D - \sqrt{(c_R^2 + 2c_R c_D + c_D^2 - 2c_D(-1+p) - 2(-1+p)p)})^2 \gamma_s / (-1 + c_R + c_D + p)$ , which can be obtained from the payoffs above and by solving for  $\gamma_a$  ( $\rightarrow$  *Unified Model Equilibrium Iia: AC-Reassurance and Accommodation*). It also follows that if  $p < p^{**}$ ,  $p \leq p^{****}$  and both  $\gamma_s > \gamma_s^{**}$  and  $\gamma_a > \gamma_a^{**}$ ,  $R$ 's optimal response is to refrain from issuing a signal  $s_i = 0$  ( $\rightarrow$  *Unified Model Equilibrium III: Silence and Prevention*).

Finally, if  $p > p^{****} = c_R$ , SRTH reassurance never constitutes a feasible option because here  $\gamma_s^{***} < 0$  which violates the assumption that  $0 \leq \gamma_s^{***} \leq 1$ . Hence, if  $p > p^{****}$ ,  $R$  will send  $s_{ar}^*$  if  $\gamma_a \leq \gamma_a^{**}$  and  $s_i = 0$  if  $\gamma_a > \gamma_a^{**}$ . This can be obtained from comparing the payoffs below:

$$U_R(s_i=0, \text{ accept } x \geq r_R | p < p^{****}) = p - c_R$$

$$U_R(s_{ar}^*, \text{ accept } x \geq x_{ar}^* | p < p^{****}) = p + c_D - \gamma_a (1 - p - c_R - c_D)^2$$

Next, let us examine  $R$ 's strategies incentives to deviate from the proposed equilibrium strategies above. Beginning with the conditions for *Unified Model Equilibrium Iib*, recall that here  $R$  prefers sending AC-signal  $s_{ar}^*$  and accepting the resulting offer  $x_{ar}^{**}$  to (i) issuing  $s_{sr}^*$  and  $s_{sr}^{**}$  and accepting the resulting offers  $x_{sr}^*$  and  $x_{sr}^{**}$  (ii) and refraining from issuing a signal, i.e., issuing  $s_i = 0$ . Hence, if  $R$  deviates from  $s_{ar}^*$  by sending some SRTH signal  $s_{sr}^*$ ,  $D$  concludes that  $R$  intends to reject any resulting offer. Specifically, for  $R$  to expect to gains from gain issuing  $s_{sr}^*$ , it has to be the case that  $s_{sr}^* < \Delta - c_R - c_D$

$\gamma_s(s_{sr}^*)^2 + \gamma_a(1-p-c_R-c_D)^2$ . Rearranging terms shows that  $\Delta > s_{sr}^* + c_R - c_D + \gamma_s(s_{sr}^*)^2 - \gamma_a(1-p-c_R-c_D)$ . This can be obtained from comparing  $R$ 's payoff below:

$$\begin{aligned} EU_R(s_{ar}^*, \text{accept } s_{ar}^*) &= p + c_D - \gamma_a(1-p-c_R-c_D)^2 \\ EU_R(s_{sr}^*, \text{reject } x_{ar}^*) &= p + \Delta - c_R - s_{sr}^* - \gamma_s(s_{sr}^*)^2 \end{aligned}$$

However, if  $D$  expects  $R$  to be certain to reject her offer despite  $s_{sr}^*$ ,  $R$  will only make an offer if  $s_{sr}^* \geq \Delta$ , i.e., if  $s_{sr}^*$  is sufficiently strong to neutralize  $\Delta$ . Consider the  $D$ 's payoffs below:

$$\begin{aligned} EU_D(\text{offer } x_{sr}^* | s_i = s_{sr}^*, R \text{ rejects } x_{sr}^*) &= 1 - p - \Delta - c_D + s_{sr}^* \\ EU_D(\text{prevent} | s_i = s_{sr}^*, R \text{ rejects } x_{sr}^*) &= 1 - p - c_D \end{aligned}$$

As noted above,  $R$  will at most issue  $s_{sr}^* < \Delta - c_R - c_D - \gamma_s(s_{sr}^*)^2 + \gamma_a(1-p-c_R-c_D)$ . Since  $c_i > 0$  and  $\gamma_a \leq \gamma_s$  under the conditions for the *Unified Model Equilibrium IIa*, it will always be the case that  $\Delta - c_R - c_D - \gamma_s(s_{sr}^*)^2 + \gamma_a(1-p-c_R-c_D) < \Delta$ . Hence in response to  $s_{sr}^* = \Delta - c_R - c_D - \gamma_s(s_{sr}^*)^2 + \gamma_a(1-p-c_R-c_D)$ ,  $D$  will take preventive action. Since  $R$  anticipates that  $s_{sr}^*$  does not suffice to reassure  $D$ ,  $R$  will send  $s_{ar}^*$  in equilibrium.

Turning to the conditions for the *Unified Model Equilibrium IIb*, we can also show that  $R$  has no incentives to deviate from  $s_{sr}^{**} = 0$ . Recall that we have already demonstrated that  $R$  has no incentive to deviate from  $s_{sr}^{**}$  to  $s_{ar}^*$  or  $s_i = 0$  above if he accepts  $x_{sr}^{**} = 0$ .  $R$ -types whose power shift  $\Delta > \Delta^{**} = 1 + c_R + c_D - p - \sqrt{(c_R + 2c_D + 2c_Rc_D + c_D^2 + 2p - 2c_Dp - 2p^2)}$  obtain a higher utility for rejecting  $s_{sr}^{**}$  than for accepting  $s_{sr}^{**}$ , but obtain the same utilities  $R$ -types that will accept  $s_{sr}^{**}$  for all other deviations. Because of this,  $R$ -types with  $\Delta > \Delta^{**}$  have no incentive to deviate from  $s_{sr}^{**}$  under the conditions of the *Unified Model Equilibrium IIb*.

Under the conditions for the *Unified Model Equilibrium III*,  $R$  pools on  $s_i = 0$  because  $D$ 's offers  $x_{ar}^*$  and  $x_{sr}^*$  do not suffice to compensate for  $R$ 's opportunity costs for issuing  $s_{ar}^*$  or  $s_{sr}^{**}$ . Because  $D$  knows that  $R$ 's opportunity costs make pooling on  $s_{sr}^{**}$  infeasible, she can infer that if  $R$  issues a SRTH signal of reassurance  $s_{sr}^*$  off the equilibrium path,  $R$  intends to reject resulting offer. Specifically,  $R$  can only benefit by issuing to  $s_{sr}^*$  if  $s_{sr}^* < \Delta$ . This can be obtained from the payoffs below:

$$\begin{aligned} EU_R(s_i = 0 | p < p^*) &= p - c_R \\ EU_R(s_{sr}^*, \text{reject } x_{sr}^* | p < p^*) &= p + \Delta - c_R - s_{sr}^* - \gamma_s(s_{sr}^*)^2 \end{aligned}$$

However, for  $D$  to actually respond to  $s_{sr}^*$  by offering  $x_{sr}^*$ ,  $R$  will have set  $s_{sr}^* \geq \Delta$ . This can be obtained from comparing  $D$ 's payoffs below.

$$\begin{aligned} EU_D(\text{offer } x_{sr}^* | s_i = s_{sr}^*, R \text{ rejects } x_{sr}^*) &= 1 - p - \Delta - c_D + s_{sr}^* \\ EU_D(\text{prevent} | s_i = s_{sr}^*, R \text{ rejects } x_{sr}^*) &= 1 - p - c_D \end{aligned}$$

Because the most reassuring signal that  $R$  is willing to send is  $s_{sr}^* < \Delta$ , which is insufficient to reassure  $D$ ,  $R$  is better off by refraining from sending an SRTH signal of reassurance

altogether in order to avoid incurring opportunity costs. This can be obtained by comparing the  $R$ 's payoffs below.

$$EU_R(s_i=0|p < p^*) = p - c_R$$

$$EU_R(s_{sr} < \Delta, \text{reject } x_{sr} | p < p^*) = p - c_R - \gamma_s (s_{sr})^2$$

Hence, in equilibrium,  $R$  has no incentive to deviate from  $s_i=0$  under the conditions for the *Unified Model Equilibrium III*.

**Notation**

$p$	$R$ 's ex ante relative capabilities
$1-p$	$D$ 's ex ante relative capabilities
$c_R, c_D$	$R$ 's and $D$ 's costs of fighting
$\Delta$	Relative power shift in favor $R$
$x$	$D$ 's offer to $R$
$s_c$	Sunk-cost signal
$s_a$	Audience cost-based-signal
$s_{ac}$	Audience cost-based signal of coercion ( $s_a > 0$ )
$s_{ar}$	Audience cost-based signal of reassurance ( $s_a < 0$ )
$s_s$	Security-related tying-hands signal
$s_{sc}$	Security-related tying-hands signal of coercion ( $s_s > 0$ )
$s_{sr}$	Security-related tying-hands signal of reassurance ( $s_s < 0$ )
$\gamma_i$	Opportunity cost factor for sending $s_i$