
International Organization Foundation

Reciprocity in International Relations

Author(s): Robert O. Keohane

Source: *International Organization*, Vol. 40, No. 1 (Winter, 1986), pp. 1-27

Published by: The MIT Press

Stable URL: <http://www.jstor.org/stable/2706740>

Accessed: 22-06-2016 07:48 UTC

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at

<http://about.jstor.org/terms>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.



The MIT Press, University of Wisconsin Press, Cambridge University Press, International Organization Foundation are collaborating with JSTOR to digitize, preserve and extend access to *International Organization*

Reciprocity in international relations

Robert O. Keohane

World politics is commonly referred to as anarchic, meaning that it lacks a common government. Yet a Hobbesian “war of all against all” does not usually ensue: even sovereign governments that recognize no common authority may engage in limited cooperation. The anarchic structure of world politics does mean, however, that the achievement of cooperation can depend neither on deference to hierarchical authority nor on centralized enforcement. On the contrary, if cooperation is to emerge, whatever produces it must be consistent with the principles of sovereignty and self-help.¹

Reciprocity is consistent with these principles: as Elizabeth Zoller declares, it “is a condition theoretically attached to every legal norm of international law.”² Reciprocity is also often invoked as an appropriate standard of behavior which can produce cooperation among sovereign states. This is true in international trade, where reciprocity is a central norm of the General Agreement on Tariffs and Trade (GATT),³ as well as in political relations between the

A much earlier version of this article was presented to a seminar at the University of Minnesota, 24 April 1984. I am grateful for comments on earlier versions and for citations to Robert J. Art, David Baldwin, John A. C. Conybeare, Peter Cowhey, Alexander L. George, Joanne Gowa, Joseph Grieco, Ernst B. Haas, Stanley Hoffmann, Peter J. Katzenstein, Charles P. Kindleberger, Deborah Larson, Helen Milner, Joseph S. Nye, Susan Moller Okin, Louis W. Pauly, Carolyn Rhodes-Jones, Howard Silverman, Raymond Vernon, and two anonymous referees for this journal.

1. For discussions see Barry Buzan, *People, States, and Fear: The National Security Problem in International Relations* (Chapel Hill: University of North Carolina Press, 1983), especially chap. 3; Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984); and Kenneth Waltz, *Theory of World Politics* (Reading, Mass.: Addison-Wesley, 1979).

2. Elizabeth Zoller, *Peacetime Unilateral Remedies* (Dobbs Ferry, N.Y.: Transnational, 1984), p. 15.

3. Jock A. Finlayson and Mark Zacher, “The GATT and the Regulation of Trade Barriers: Regime Dynamics and Functions,” in Stephen D. Krasner, ed., *International Regimes* (Ithaca: Cornell University Press), p. 286. The provisions of the General System of Preferences (GSP) make exceptions to this principle for developing countries, although the impact of the reciprocity norm is evident in debates about when certain newly industrializing countries should “graduate” to full reciprocal status.

International Organization 40, 1, Winter 1986 0020-8183 \$1.50

© 1986 by the Massachusetts Institute of Technology and the World Peace Foundation

superpowers. The Basic Principles Agreement signed in Moscow in May 1972 by Richard Nixon and Leonid Brezhnev provided that “discussions and negotiations on outstanding issues” between the United States and the Soviet Union would “be conducted in a spirit of reciprocity, mutual accommodation and mutual benefit.”⁴ Nine years later, President Ronald Reagan declared that the Soviet-American relationship must be based upon “restraint and reciprocity.”⁵ In a speech to the Chicago Council on Foreign Relations in March 1984, Senator Gary Hart, campaigning for the Democratic presidential nomination, declared that reciprocity would be one of three major foreign-policy themes for his administration.⁶

This praise for reciprocity by political leaders has recently been echoed by scholars. Robert Axelrod has advised people and governments to practice and teach reciprocity in order to foster cooperation.⁷ Convinced by his arguments, I declared two years ago that reciprocity “seems to be the most effective strategy for maintaining cooperation among egoists.”⁸

This applause for reciprocity by politicians and scholars may seem impressive. Yet whenever a concept in international relations becomes popular, particularly as a remedy for conflict, we should be cautious. The current enthusiasm for reciprocity resembles the revival of balance-of-power thinking in the United States after World War II. At that time scholars such as Ernst B. Haas and Inis Claude pointed out that the balance of power could be a useful tool for understanding international relations, or a worthwhile guide for determining policy, only if analysts distinguished its various meanings clearly from one another. As Claude put it, “‘Balance of power’ is to writers on international relations as ‘a pinch of salt’ is to cooks, ‘stellar southpaw’ to baseball writers, and ‘dialectical materialism’ to Marxist theoreticians.”⁹ The concept of balance of power had by then lost much analytical value because it had been used in many confusing ways: like “national security,” it had become, in Arnold Wolfers’s words, an “ambiguous symbol.” Wolfers pointed out that “when political formulas such as ‘national interest’ or ‘national security’ gain popularity they need to be scrutinized with particular care.”¹⁰

4. Alexander L. George, “The Basic Principles Agreement of 1972: Origins and Expectations,” in George, ed., *Managing U.S.-Soviet Rivalry: Problems of Crisis Prevention* (Boulder: Westview, 1983), p. 108.

5. Alexander L. George, “Political Crises,” in Joseph S. Nye, ed., *The Making of America’s Soviet Policy* (New Haven: Yale University Press for the Council on Foreign Relations, 1984), p. 155.

6. *New York Times*, 17 March 1984.

7. Robert Axelrod, *The Evolution of Cooperation* (New York: Basic, 1984), pp. 136–39.

8. Keohane, *After Hegemony*, p. 214.

9. Inis L. Claude, Jr., *Power and International Relations* (New York: Random House, 1962), p. 12. See also Ernst B. Haas, “The Balance of Power: Prescription, Concept or Propaganda?” *World Politics* 5 (July 1953).

10. Arnold Wolfers, “National Security as an Ambiguous Symbol,” in Wolfers, *Discord and Collaboration: Essays on International Politics* (Baltimore: Johns Hopkins University Press, 1962), p. 147.

Reciprocity is an ambiguous term, in part because it appears in so many different literatures. Each school of thought defines reciprocity in accordance with its own theoretical purposes, with little regard for its other definitions and little comprehension of the conceptual progress that other disciplines may have made. The fact that reciprocity can refer either to a policy pursued by a single actor or to a systemic pattern of action further confounds its meaning. But the political uses to which the concept has been put are primarily responsible for the confusion. Reciprocity is both a symbol in politics and a concept for scholars.

To illustrate this point, let us consider how the term has been used in American debates on international trade policy. In American foreign economic policy, reciprocity has been put forward as an appropriate standard of behavior since the early years of the Republic. The first commercial treaty signed by the United States, the treaty with France of 1778, contained a provision for reciprocal trade concessions between the two countries.¹¹ Later, American threats of retaliation led Britain to enact the Reciprocity of Duties Act in 1823, and retaliatory actions by both countries regarding trade with the West Indies culminated in what Americans called “the Reciprocity of 1830,” a compromise Anglo-American agreement dealing with that issue.¹² Throughout the antebellum period, “the notion of reciprocity, as a policy, received considerable attention,” although it was espoused toward the end of the century less by liberal traders than by those who sought to restrict imports.¹³ The Republican platform of 1896 declared that “Protection and Reciprocity are twin measures of Republican policy and go hand in hand”; the Harding administration later claimed to base its protectionist foreign-trade policy on reciprocity.¹⁴

Since passage of the Trade Agreements Act of 1934, reciprocity has been associated with liberal trade policies. In the United States, the virtue of reciprocity has been so widely assumed that contemporary opponents of liberalization seek to capture the concept for their own purposes. They define it to mean that “a U.S. trading partner should accord American goods, services and investments essentially the same treatment as the partner’s goods, services and investments are accorded in the U.S. market.”¹⁵ In hearings on reciprocity legislation held in 1983, officials of the Reagan admin-

11. Jacob Viner, “The Most-Favored-Nation Clause,” in Viner, *International Economics* (Glencoe, Ill.: Free, 1951), p. 103.

12. Lucy Brown, *The Board of Trade and the Free-Trade Movement, 1830–1842* (Oxford: Clarendon, 1958), p. 2; Robert Livingston Schuyler, *The Fall of the Old Colonial System: A Study in British Free Trade, 1770–1870* (London: Oxford University Press, 1945), pp. 114–15.

13. J. Laurence Laughlin and H. Parker Willis, *Reciprocity* (New York: Baker & Taylor, 1903), p. 7.

14. William S. Culbertson, *Reciprocity: A National Policy for Foreign Trade* (New York: McGraw-Hill, 1937), p. 159.

15. Keith J. Hay and B. Andrei Sulzenko, “U.S. Trade Policy and ‘Reciprocity,’” *Journal of World Trade Law* 16 (November–December 1982), p. 472.

istration defined reciprocity as a strategy for opening foreign markets, but Senator Russell Long (D.-Louisiana) declared that reciprocity to him meant “moving toward a balance with Japan rather than the big surplus in their account trading with us.”¹⁶ For Senator Long reciprocity meant a bilateral balance of trade—exactly what the liberal architects of GATT sought to displace. Not surprisingly, two commentators have characterized some proponents of reciprocity as seeking unilaterally to repeal the law of comparative advantage,¹⁷ and others have written about new tendencies toward “aggressive reciprocity” in American discussions of trade policy.¹⁸

In debates on foreign trade, as well as in the academic literature, reciprocity has two quite distinct meanings. I will use *specific* reciprocity here to refer to situations in which specified partners exchange items of equivalent value in a strictly delimited sequence. If any obligations exist, they are clearly specified in terms of rights and duties of particular actors. This is the typical meaning of reciprocity in economics and game theory. In situations characterized by *diffuse* reciprocity, by contrast, the definition of equivalence is less precise, one’s partners may be viewed as a group rather than as particular actors, and the sequence of events is less narrowly bounded. Obligations are important. Diffuse reciprocity involves conforming to generally accepted standards of behavior. In the field of trade, as we will see in more detail below, demands for aggressive reciprocity, or what used to be known as conditional most-favored-nation (MFN) treatment, reflect the concept of specific reciprocity, while unconditional MFN treatment embodies diffuse reciprocity.

Concepts similar to that of diffuse reciprocity appear in an extensive literature on social exchange, whose intellectual leaders include such scholars as Peter Blau, Alvin Gouldner, George Homans, and Marshall Sahlins. This school emphasizes that reciprocal obligations hold societies together. Participants typically view diffuse reciprocity as an ongoing series of sequential actions which may continue indefinitely, never balancing but continuing to entail mutual concessions within the context of shared commitments and values. In personal life, bargaining over the price of a house reflects specific reciprocity; groups of close friends practice diffuse reciprocity.¹⁹

16. U.S. Senate, Committee on Finance, Subcommittee on International Trade, *Hearing on S. 144, The Reciprocal Trade and Investment Act of 1982*, 98th Cong., 1st sess. (4 March 1983). The statement of administration policy is on p. 19, the quotation from Senator Long on p. 33.

17. Bart S. Fisher and Ralph G. Steinhardt III, “Section 301 of the Trade Act of 1974: Protection for U.S. Exporters of Goods, Services and Capital,” *Law and Policy in International Business* 14 (1982), p. 688.

18. William R. Cline, “‘Reciprocity’: A New Approach to World Trade Policy?” Institute for International Economics, Policy Analyses in International Economics no. 2 (Washington, September 1982), and R. J. Wonnacott, “Aggressive U.S. Reciprocity Evaluated with a New Analytical Approach to Trade Conflicts,” Institute for Research on Public Policy, Essays in International Economics (Montreal, 1984).

19. My distinction between specific and diffuse reciprocity was suggested by Peter Blau’s distinction between social and economic exchange. Social exchange involves somewhat indefinite, sequential exchanges within the context of a general pattern of obligation. In economic exchange,

Throughout this article, I will illustrate my arguments about reciprocity with examples from international politics. I will pay special attention to international trade, since reciprocity has been an important principle in trade negotiations for at least 150 years, and abundant experience with its operation in trade therefore exists.

Section 1 offers a general definition that seeks to capture what is common to specific and diffuse reciprocity. Section 2 analyzes the meaning of reciprocity in the game-theoretic literature and explores the strengths and weaknesses of specific reciprocity as a principle of action designed to elicit mutually beneficial cooperation in world politics. Section 3 pursues the less familiar concept of diffuse reciprocity, as suggested by the sociological and anthropological literature on social exchange. Diffuse reciprocity also has advantages and liabilities as a principle of action in world politics, but these are quite different from those of specific reciprocity. In the final section I briefly investigate how specific and diffuse reciprocity are related in practice, and how they could be combined to gain some of the advantages of both. This discussion emphasizes the importance of institutional innovations that can facilitate international cooperation.

1. Reciprocity as a general concept

Despite the ambiguities that bedevil it, the concept of reciprocity does have a core meaning and thus can be defined in a way that is consistent with the notions both of specific and diffuse reciprocity. I focus on two aspects of reciprocity that constitute, at least in qualified form, essential dimensions of the concept: *contingency* and *equivalence*.

Contingency

Gouldner observed twenty-five years ago that sociologists had often failed to define reciprocity, and that “few concepts in sociology remain more obscure and ambiguous.”²⁰ In seeking to rectify this situation, Gouldner emphasized that reciprocity implies conditional action, and other social exchange theorists have followed his lead. Reciprocity implies “actions that are contingent on rewarding reactions from others and that cease when these expected reactions

however, the benefits to be exchanged are precisely specified and no trust is required. The distinction between specific and diffuse reciprocity also bears some similarity to Marshall Sahlins's distinction between “balanced” and “generalized” reciprocity. Sahlins, however, views generalized exchange as “putatively altruistic.” See Blau, *Exchange and Power in Social Life* (New York: Wiley, 1964), pp. 8, 93–97, and Sahlins, *Stone Age Economics* (Chicago: Aldine-Atherton, 1972), p. 194.

20. Alvin W. Gouldner, “The Norm of Reciprocity: A Preliminary Statement,” *American Sociological Review* 25 (April 1960), p. 161.

are not forthcoming.”²¹ Reciprocal behavior returns ill for ill as well as good for good: “people should meet smiles with smiles and lies with treachery.”²² Unconditionality “would be at variance with the basic character of the reciprocity norm which imposes obligations only contingently, that is, in response to the benefits conferred by others.”²³ In game theory, contingency is also a central component of reciprocity: actors behaving in a reciprocal fashion respond to cooperation with cooperation and to defection with defection.

Equivalence

The social exchange literature is careful not to define reciprocity as the strict equivalence of benefits. Among equals, rough equivalence is the usual expectation: the man who gives a dinner party does not bargain with his guests about what they will do for him in return, but “he expects them not simply to ask him for a quick lunch if he has given a formal dinner for them.”²⁴ Reciprocity can also characterize relations among unequals, for instance, between a patron and his client, when there is little prospect of equivalent exchange. Patron-client relationships are characterized by exchanges of mutually valued but noncomparable goods and services. Marc Bloch refers to “reciprocity in unequal obligations” as the “really distinctive feature of European vassalage.”²⁵

Nevertheless, at least rough equivalence is essential to our usual understanding of reciprocity. When we observe one-sided and unrequited exploitation, which cannot under any circumstances be considered an exchange of equivalents, we do not describe the relationship as reciprocal. As Barrington

21. Blau, *Exchange and Power in Social Life*, p. 6.

22. Marcel Mauss, *The Gift* (1925; reprint, New York: Norton, 1967), p. xiv.

23. Gouldner, “Norm of Reciprocity,” p. 171. In the case of what I have called diffuse reciprocity, cooperation is contingent not on the behavior of particular individuals but on the continued successful functioning of the group.

24. Peter M. Blau, *On the Nature of Organizations* (New York: Wiley, 1974), pp. 208–9.

25. Marc Bloch, *Feudal Society* (1940; reprint, Chicago: University of Chicago Press, 1968). This quotation is from selections from *Feudal Society* in Steffen W. Schmidt et al., *Friends, Followers and Factions: A Reader in Political Clientelism* (Berkeley: University of California Press, 1977), p. 205. On patron-client relations see two other articles in the Schmidt volume: John Duncan Powell, “Peasant Society and Clientelist Politics,” and James C. Scott, “Patron-Client Politics and Political Change in Southeast Asia.” Imbalances in favor of the patron may be accounted for by the resources, sometimes including force, at the patron’s disposal: that is, the patron’s bargaining power may be greater than that of the client. Sometimes, however, the observable material flow of goods favors the client, which poses a potential paradox for exchange theory: why should a patron enter into an exchange relationship in which surrendered resources are greater in value than those received? Social exchange theory answers that the political deference of the client toward the patron balances the exchange. This deference may be used to extract resources indirectly, from the client and from other similarly placed people in the society, through the operation of the political system. Thus the eventual material rewards to the patron may be quite considerable. See George C. Homans, *Social Behavior: Its Elementary Forms* (New York: Harcourt Brace & World, 1961), and Blau, *Exchange and Power in Social Life*.

Moore, Jr., has commented, a pattern of reciprocity is “one where services and favors, trust and affection, in the course of mutual exchanges are ideally expected to find some rough balancing out.”²⁶ Specific reciprocity requires bilateral balancing between particular actors; diffuse reciprocity emphasizes an overall balance within a group.

The literature on reciprocity in international relations emphatically associates reciprocity with equivalence of benefits. Axelrod views “the insistence on no more than equity” as a common property of many rules based on reciprocity. Reciprocity is not defined in the General Agreement on Tariffs and Trade, but the director-general of GATT defines it as “the equivalence of concessions.”²⁷ Both of these definitions allow rough equivalence to qualify as reciprocity, but some usages are more strict. Reciprocity has been defined, under fixed exchange rates, as “an insistence that other countries simultaneously reduce their tariffs by the amount required to produce a balanced expansion of trade at the given exchange rate”; for a number of writers “reciprocal concessions” are those that result in projected increases in each country’s exports equal to the increments in its imports.²⁸

Although reciprocity clearly entails at least rough equivalence of benefits, in international relations as in personal social relations precise measurement is often impossible. States in reciprocal relationships with one another often do not have identical obligations.²⁹ How is one to ascertain the relative value of a superpower’s pledge to protect an ally from attack, on the one hand, and the ally’s willingness to accept stationing of the superpower’s troops in its territory, on the other? Without market prices, determining whether an exchange involves equivalent values may be difficult. When the Chicago White Sox in 1951 traded Gus Zernial in order to obtain Minnie Minoso, I initially believed that the exchange had been disadvantageous (although I soon changed my mind and my hero). No one could have proved at the time—to me or to any other skeptic—that the trade was equal, or beneficial, any more than one could have reliably so characterized the terms of Britain’s entry into the European Economic Community in 1973, or the “50/50” profit-sharing agreements between governments of oil-producing countries and companies that prevailed for roughly two decades after 1950.

26. Barrington Moore, Jr., *Injustice: The Social Bases of Obedience and Revolt* (White Plains, N.Y.: Sharpe, 1978), p. 509.

27. Axelrod, *Evolution of Cooperation*, p. 137, and Arthur Dunkel, “GATT: Its Evolution and Role in the 1980s,” Li and Fung Lecture, Chinese University of Hong Kong, 23 March 1984, mimeo (Geneva: GATT), p. 6.

28. Richard Blackhurst, “Reciprocity in Trade Negotiations under Flexible Exchange Rates,” in John P. Martin and Alasdair Smith, eds., *Trade and Payments Adjustment under Flexible Exchange Rates* (London: Macmillan for the Trade Policy Research Centre, 1979), quotation on p. 215, discussion of reciprocal concessions on p. 225. On the latter see also Finlayson and Zacher, “GATT and the Regulation of Trade Barriers,” p. 286. A related article that helped stimulate my thinking on this subject is Frieder Roessler, “The Rationale for Reciprocity in Trade Negotiations under Floating Currencies,” *Kyklos* 31, 2 (1978), pp. 258–74.

29. Zoller, *Peacetime Unilateral Remedies*, p. 20.

Despite the impossibility of determining exact equivalence, some degree of rough equivalence is integral to the meaning of reciprocity. Reciprocity refers to *exchanges of roughly equivalent values in which the actions of each party are contingent on the prior actions of the others in such a way that good is returned for good, and bad for bad*. These exchanges are often, but not necessarily, mutually beneficial; they may be based on self-interest as well as on shared concepts of rights and obligations; and the value of what is exchanged may or may not be comparable.

The requirement of rough equivalence means that many relationships in world politics are not reciprocal. Claims of reciprocity may be fraudulent, hiding domination and exploitation. Furthermore, even genuinely reciprocal relationships are not power-free: strong and weak actors practicing reciprocity face different opportunity costs, and the international structure of power helps to establish what values are regarded as equivalent. Nothing in this article should be interpreted as suggesting that reciprocity is a universal principle of world politics or that it insulates its practitioners from considerations of power.

2. Specific reciprocity

In his elegantly argued and influential book, Robert Axelrod develops a theory of cooperation which relies heavily on specific reciprocity. Axelrod focuses on the game of Prisoner's Dilemma. In plays of this game, both players benefit more from cooperation than from mutual defection, but each player achieves the most successful outcome by defecting, provided that her partner cooperates.³⁰ In single plays of this game, players lack any way of enforcing promises; therefore, it is always rational for an egoistic player to defect. Yet defection by both players yields lower payoffs than does mutual cooperation. Paradoxically, "stupid" but nice players who cooperate without calculating succeed more often at Prisoner's Dilemma than do more rational counterparts.

Axelrod is concerned not with single plays of Prisoner's Dilemma but with an indefinite number of interactions. He follows the argument of Michael Taylor, who showed that when an indefinite sequence of such games is played, cooperation may become rational for the players.³¹ Axelrod then

30. If C represents a cooperative move and D an uncooperative "defection," the order of preferences for player A is as follows, listing A's move first: $DC > CC > DD > CD$. For a detailed account see Axelrod, *Evolution of Cooperation*, or the special issue of *World Politics* 38 (October 1985).

31. Michael Taylor, *Anarchy and Cooperation* (New York: Wiley, 1976). As Axelrod points out, it has long been argued in the game-theoretic literature that in Prisoner's Dilemma with a finite number of plays, a rational player will defect continually: "On the next-to-last move neither player will have an incentive to cooperate since they can both anticipate a defection by the other player on the very last move. Such a line of reasoning implies that the game will

demonstrates that the rationality of cooperation depends not only on the immediate payoff facing the players but also on what he calls the "the shadow of the future." The more important outcomes of future plays are, the more sensible it is for players to forgo maximal current payoffs (by defecting), but instead to cooperate; such a strategy fosters cooperation on future moves.

Axelrod uses an ingenious computer simulation to pit various strategies against one another. As the strategy of reciprocity, he uses Tit for Tat. A player following Tit for Tat cooperates on the first move of a sequence, then does on a subsequent move what the other player did on the previous one. In Axelrod's simulation, given the mix of strategies submitted, Tit for Tat not only induced cooperation more effectively than alternatives but also reaped the highest overall payoff. Axelrod's simulation thus adds a new dimension to the already impressive experimental evidence indicating that reciprocity is an effective strategy in Prisoner's Dilemma.³²

Of course, not all situations characterized by potential conflict as well as incentives for cooperation resemble the situation in Prisoner's Dilemma. Other games with somewhat different structures have not been analyzed as carefully. Nevertheless, the appeal of specific reciprocity is not strictly limited to Prisoner's Dilemma. On the contrary, reciprocity often seems to be an attractive strategy for players of bilateral games in which mutual cooperation can yield more satisfying results than mutual defection but in which temptations for defection also exist.³³

As an additional virtue, specific reciprocity may create incentives for otherwise passive interests within countries to oppose discordant unilateral action by their own governments. In trade, for instance, specific reciprocity creates incentives for export interests within countries to resist protective tariffs on other products, for fear that retaliation could be directed at them. In 1984,

unravel all the way back to mutual defection on the first move of any sequence of plays that is of known finite length" (*Evolution of Cooperation*, p. 10). However, this finding is highly sensitive to the assumption of perfect information embedded in it. In finite Prisoner's Dilemma even a small amount of uncertainty involving asymmetrical information can make it rational to follow a strategy of reciprocity, which yields higher payoffs than the "rational" strategy of defection under perfect information. A certain amount of ignorance is indeed bliss! See D. Kreps and R. Wilson, "Rational Cooperation in the Finitely Repeated Prisoners' Dilemma," *Journal of Economic Theory* 27 (1982), pp. 245–52, and other articles in the same issue.

32. On Prisoner's Dilemma see Stuart Oskamp, "Effects of Programmed Strategies on Cooperation in the Prisoner's Dilemma and Other Mixed-Motive Games," *Journal of Conflict Resolution* 15 (June 1971), pp. 225–59; Warner Wilson, "Reciprocation and Other Techniques for Inducing Cooperation in the Prisoner's Dilemma Game," *ibid.*, pp. 167–95; and Hayward R. Alker, Jr., and Roger Hurwitz, *Resolving Prisoner's Dilemma* (Teaching Module) (Washington, D.C.: APSA, 1981).

33. For some experimental evidence about the effects of reciprocity in a bargaining game that is quite different from Prisoner's Dilemma, see James K. Esser and S. S. Komorita, "Reciprocity and Concession Making in Bargaining," *Journal of Personality and Social Psychology* 31, 5 (1975), pp. 864–72; and S. S. Komorita and James K. Esser, "Frequency of Reciprocated Concessions in Bargaining," *Journal of Personality and Social Psychology* 32, 4 (1975), pp. 699–705. See also Robert Axelrod and Robert O. Keohane, "Achieving Cooperation under Anarchy: Strategies and Institutions," *World Politics* 38 (October 1985).

for instance, American farmers opposed steel quotas, anticipating retaliation against agricultural exports. Thus when we consider the complexity of international trade as contrasted with the simplicity of game-theoretic models, the appeal of specific reciprocity seems to be reinforced.

Difficulties of reciprocity in bilateral situations

As we have seen, valid reasons exist to believe that under some conditions specific reciprocity can facilitate cooperation in world politics. Yet reciprocity is clearly not a sufficient condition for cooperation; indeed, it need not entail cooperation of any kind. We are all familiar with the chilling phrase, “a reciprocal exchange of nuclear weapons.” Because reciprocity implies returning ill for ill as well as good for good, its moral status is ambiguous. Because it can lead to mutually harmful conflict, its political value may also be questionable. If either of two parties practicing specific reciprocity begins with a malign move, cooperation can never be achieved as long as both persist in this strategy. Axelrod points out that what he calls “echo effects” can produce conflict: “the trouble with TIT FOR TAT is that once a feud gets started, it can continue indefinitely.”³⁴

Mark Twain discussed this problem in *Adventures of Huckleberry Finn*. In chapter 18, Huck tries to discover the reasons for the feud between the Grangerfords and the Shepherdsons:

“What was the trouble about, Buck?—land?”

“I reckon maybe—I don’t know.”

“Well, who done the shooting? Was it a Grangerford or a Shepherdson?”

“Laws, how do *I* know? It was so long ago.”

“Don’t anybody know?”

“Oh, yes, pa knows, I reckon, and some of the other old people, but they don’t know now what the row was about in the first place.”

This defect of Tit for Tat is compounded by two others, even when the situation being faced is structurally comparable to Prisoner’s Dilemma. First, governments tend to evaluate “equivalence” in biased ways. Insofar as governments, being partial to their own interests, demand to be overcompensated in the name of equivalence, abuse of reciprocity can lead to escalating cycles of discord and conflict. Second, even when many shared interests exist and judgments of equivalence are not distorted, strategies of reciprocity may lead

34. Axelrod, *Evolution of Cooperation*, p. 138. Reciprocity may be regarded as morally wrong even when it could be expected to lead to an agreement rather than to a feud. For instance, many ethical doctrines would consider it wrong for the United States to have seized innocent Shiite Moslem hostages in retaliation for the Shiite hijacking of a TWA airliner in June 1985. When adversaries hold themselves to very different ethical standards, one side may be unwilling to behave as the other does, making reciprocity unattainable.

to deadlock. John W. Evans points out that in tariff negotiations conducted through exchanges of equivalent concessions, potential concessions may become “bargaining chips” to be hoarded: “Tariffs that have no intrinsic economic value for a country that maintains them have acquired value because of the insistence of other countries on reciprocity in the bargaining process.” As a result, “tariff levels may be maintained in spite of the fact that a lower level would raise the country’s real income.”³⁵

These problems with specific reciprocity are illustrated by Soviet-American détente during the 1970s. George Breslauer argues that what he calls “collaborative competition” requires a “mutual commitment to reciprocity,” as well as mutual restraint. Yet in the 1970s the Soviet Union and the United States interpreted the meaning of such a commitment in incompatible ways. The Soviets sought “the maximization of reciprocal exchanges *within* policy realms,” and “forms of collaboration that would increase Soviet leverage where there previously had been little,” but resisted American attempts at linkage. The United States, in contrast, “defined collaborative reciprocity as Soviet forbearance from exploiting targets of opportunity when U.S. efforts to control a local situation were failing and the United States was in retreat.” Both sides were too ambitious.³⁶

The key ambiguity of détente involved how far specific reciprocity would extend beyond the terms of particular agreements. Neither the United States nor the Soviet Union was willing to make substantial unrequited concessions in the hope of eventually achieving reciprocity. This is not surprising since their relationship remained highly competitive, they disagreed about what constituted equivalence, and neither could be confident that détente would continue for long. With the existence of only minimal common standards to indicate a basis for legitimate action, each nation therefore had an incentive to reinterpret the Basic Principles Agreement to its own advantage. Biased interpretations of equivalence contributed to deadlock and in the early 1980s to what could even be viewed as a feud between the superpowers.

Axelrod’s remedy for such problems is a modification of specific reciprocity in which players “return only nine-tenths of a tit for a tat. This would help dampen the echoing of conflict and still provide an incentive to the other player not to try any gratuitous defections.”³⁷ This solution acknowledges that reciprocity is no panacea even in bilateral relationships. Feuds, biased

35. John W. Evans, *The Kennedy Round in American Trade Policy: The Twilight of the GATT?* (Cambridge: Harvard University Press, 1971), pp. 31–32. On problems of biased equivalence in implementing “aggressive reciprocity,” see Wonnacott, “Aggressive U.S. Reciprocity,” especially pp. 11–12.

36. George Breslauer, “Why Detente Failed: An Interpretation,” in George, ed., *Managing U.S.-Soviet Rivalry*, pp. 319–40. The quotations appear on pp. 321, 327, 334, and 335, respectively. Without focusing on reciprocity per se, Stanley Hoffmann also emphasizes the overambitiousness of America’s détente policy—its lack of “modesty”—as a key reason for its failure. See Hoffmann, “Detente,” in Nye, ed., *The Making of America’s Soviet Policy*, p. 259.

37. Axelrod, *Evolution of Cooperation*, p. 138.

judgments of equivalence, and deadlock that results from hoarded bargaining chips undermine the value of specific reciprocity. But these problems only point out pitfalls along the path of reciprocity rather than indicating an alternative route.

Difficulties of reciprocity in multilateral situations

One of the most frequent objections to specific reciprocity pertains to a multilateral situation involving a large number of actors, in which collective, or public, goods are involved. (Public goods are indivisible and cannot be denied to any member of a group, regardless of whether that member contributed to their provision.) Such multilateral situations offer substantial incentives to behave as a “free-rider”—not to pay for the good but to gain from its provision by others. In such a situation, public choice theory predicts less cooperation (in producing the public good) than in an otherwise comparable bilateral or small-group context.

Under these conditions enforcement of reciprocal agreements may prove problematic. Incentives to police an agreement by retaliating against defectors are likely to be much lower than in bilateral games, since the “policeman” will suffer the opprobrium of other actors, while gaining only a small portion of the benefits of enforcing the rules. Thus if a given actor’s violation of a particular rule does not directly threaten the benefits received by the group, retaliation is unlikely to be severe. As a consequence, the incentive to cooperate provided by reciprocity—that defection will lead to punishment by one’s partners—may not prove compelling in a multilateral situation.³⁸

Although public goods arguments are important, they do not constitute strong objections to the use of specific reciprocity to induce cooperation in world politics. Many opportunities for cooperation in international relations involve relatively few states of unequal capabilities which can monitor each other’s behavior. Even when large numbers of actors are involved, specific reciprocity may be used to prevent free-riding. Undifferentiated multilateral groups can be broken down into smaller clusters, within which specific reciprocity can be pursued effectively: that is, institutional arrangements are established that make it possible to exclude actors from benefits. In this sense, what would otherwise have been public goods are privatized.³⁹

Because the use of specific reciprocity may be an effective device for dealing

38. This constitutes what Axelrod and I in “Achieving Cooperation under Anarchy” call the “sanctioning problem.”

39. See Keohane, *After Hegemony*, chap. 3; Bruce M. Russett, “The Mysterious Case of Vanishing Hegemony: or, Is Mark Twain Really Dead?” *International Organization* 39 (Spring 1985), pp. 207–32; and the special issue of *World Politics* 38 (October 1985) on cooperation under anarchy. In the last see especially the contributions by Kenneth Oye, who developed the concept of privatization, and Charles Lipson’s “Bankers’ Dilemmas,” which discusses the break-down of large groups.

with free-riding and sanctioning problems, we might expect the concept to be institutionalized. And indeed, this inference appears to be confirmed in the field of international trade, where bargaining—mixing cooperation and discord—has a long history. As we have seen, American and British attempts to pursue reciprocity in trade go back very far, and are clearly manifest in the early 19th century.

Yet a closer look raises doubts about whether the evidence from trade negotiations supports the proposition that specific reciprocity facilitates international cooperation. Although Britain in the 1830s and the United States around the turn of the century sought to implement trade policies embodying specific reciprocity, both later abandoned the attempt. A review of these endeavors and why they were given up raises questions about the usefulness of specific reciprocity, especially when sequential negotiations take place in the context of extensive interdependence.

Britain and trade reciprocity

Great Britain enacted the Reciprocity of Duties Act in 1823, under the leadership of William Huskisson, the president of the Board of Trade. Under this act, Britain entered into bilateral treaties that provided MFN treatment for both countries' exports and equality of treatment with respect to port charges on shipping. MFN treatment did not, however, put outsiders on an equal footing with Britain's colonies, which continued to receive preferences on their exports to the mother country. Nor did equality of treatment for shipping cancel out extensive British restrictions on imports into Britain carried by non-British ships.⁴⁰ Nevertheless, the Reciprocity of Duties Act did constitute a significant change from the old system of the Navigation Acts, under which Britain had acted unilaterally.

Huskisson later made it clear that his acceptance of reciprocity had been based neither on belief in principles of fair trade nor on altruism, but rather on concern about foreign retaliation:

If the system of discriminating Duties for the encouragement of Shipping were a secret known to this country alone; if a similar system were not, or could not be, put in force in every other country, I should not be standing here to vindicate the measure to which I have just referred, and the present policy of his Majesty's Government. So long as, in fact, no independent trading community existed out of Europe, and so long as the old Governments of Europe looked upon these matters,—if they looked to them at all,—as little deserving their attention and were content, either from ignorance or indifference, not to thwart our System, it would have been wrong to disturb any part of it.⁴¹

40. Brown, *Board of Trade*, pp. 116–17.

41. Schuyler, *Fall of the Old Colonial System*, p. 119.

In other words, as long as Britain could exploit other countries through unilateral action, little reason existed to adopt a policy of reciprocity. Just as in Prisoner's Dilemma, one player benefits from defecting if the other player ignores her actions.

The treaties negotiated under the Reciprocity of Duties Act accomplished little. Although Britain sought vigorously to negotiate a reciprocity treaty with France in the 1830s—even to the point of seeking to stir up French public opinion against the French government—this effort was unsuccessful. The French feared that liberalizing their duties on iron, coal, cotton, and wool would hurt these industries more than Britain's liberalization of wine duties would help the wine industry; and Britain refused to lower its duty on silk.⁴²

In 1840 Parliament provided for the appointment of a Select Committee on Import Duties, most of whose members turned out to be advocates of free trade. This committee argued for abandonment of reciprocity in favor of unilateral free trade, on the grounds that this policy would provide other countries with resources to purchase British exports; reduce food costs and therefore costs of British production for export; reduce retaliation from abroad; and induce other countries to copy British free trade policy.⁴³ Influenced by these arguments, Parliament in 1842 adopted strong free trade legislation; within a few years it repealed the Corn Laws and abandoned the Navigation Acts.

Why was reciprocity abandoned, when in Prisoner's Dilemma, as Axelrod has shown, it has such clear bargaining advantages over unilateral renunciation of tariffs? The answer to this question seems to be that the situation facing Britain was not that of Prisoner's Dilemma, in which arrangements must be made to prevent cheating, but an example of what Arthur Stein calls a "dilemma of common aversions," in which stable equilibria exist and in which, therefore, problems of cheating and compliance do not emerge.⁴⁴ British leaders made it clear that they preferred to abandon their tariffs even if others retained theirs. James Deacon Hume, joint secretary to the Board of Trade in 1840, expressed this view as follows: "I think it is unwise to do that upon stipulation, upon certain terms, which upon any terms it would be better for you to do yourself."⁴⁵ Sir James Graham declared in 1849 that the principle of reciprocity made "the interest of others the measure of our

42. Brown, *Board of Trade*, pp. 123, 138–39.

43. *Ibid.*, chap. 12.

44. Arthur A. Stein, "Coordination and Collaboration: Regimes in an Anarchic World," in Krasner, ed., *International Regimes*, p. 130. See also Stein, "The Hegemon's Dilemma: Great Britain, the United States, and the International Economic Order," *International Organization* 38 (Spring 1984), p. 130.

45. Brown, *Board of Trade*, p. 206.

interest—I had almost said it makes the folly of others the limit of our wisdom.”⁴⁶

In game-theoretic terms, Britain did not face Prisoner’s Dilemma in dealing with France, since the British government preferred to abolish its tariffs unilaterally rather than to continue high tariffs on both sides. The payoff matrix was as follows, with 4 as the best payoff:

		FRANCE	
		low tariffs	high tariffs
BRITAIN	low tariffs	4, 2	3, 4
	high tariffs	2, 1	1, 3

For Britain, a continuation of mutual high tariffs was least desirable. But Britain could not induce France to move to reciprocal lower tariffs because France preferred to maintain high tariffs regardless of what Britain did. The equilibrium position was thus at the upper right: low British tariffs and high French ones. As long as their conceptions of self-interest remained the same, and no linkages were drawn to other issues (as was done in the Cobden-Chevalier Treaty of 1860), neither party had an incentive to alter its choice.

The United States and trade reciprocity

U.S. tariff policy between 1890 and 1923 incorporated specific reciprocity in two different ways: in so-called reciprocity provisions, used between 1890 and 1894 and again between 1897 and 1909; and in the form of conditional MFN clauses inserted into commercial treaties. Of these two manifestations of specific reciprocity, the latter is more significant, but the reciprocity provisions deserve some comment as well.

The Tariff Act of 1890 provided for imposition of duties on certain agricultural products when the country exporting those products imposed duties that the U.S. president declared “reciprocally unjust or unreasonable.” A

46. Quoted in Albert Imlah, *Economic Elements in the Pax Britannica* (New York: Russell & Russell, 1958), pp. 14–15. The director-general of the GATT expressed the same sentiment 135 years later. He argued that the search for reciprocity “now threatens to set back the process [of trade liberalization].” In his view, “it makes no economic sense for [a country involved in world trade] to react to barriers in its export markets by imposing on itself the additional burden of inefficiency and price distortion.” Yet what does not make economic sense may be prudent politically: “It may pay to postpone one’s liberalization if other countries can thus be induced to bring forward their own.” See Dunkel, “GATT: Its Evolution and Role,” p. 7.

Democratic Congress repealed this provision in 1894, for reasons similar to those argued by the British a half-century earlier—that tariffs damaged the interests of a nation's own people, regardless of the response of the other side. In 1897, the Republicans reinstituted reciprocity and included the carrot as well as the stick by providing for concessions on brandies, champagne, wine, paintings, and statuary, in return for “reciprocal and reasonable concessions.” Not surprisingly, this provision was designed to promote a reciprocal trade agreement with France. The Tariff Act of 1909, however, abolished these reciprocity arrangements.⁴⁷

Scholars generally agree that these provisions for reciprocity did not lead to significant results, largely because the Republicans regarded reciprocity as supplementary to a protective tariff rather than as a means of moving toward liberalization.⁴⁸ The United States offered few concessions, and Congress demanded that the president submit trade agreements in the form of treaties. Indeed, of the thirteen reciprocity treaties negotiated by the American government between 1844 and 1902, only three became effective. Two of these were with virtual dependencies of the United States: Hawaii (until annexation in 1900) and Cuba; the other was a short-lived agreement with Canada (1854–66).⁴⁹

More significant was the commitment of the United States to the conditional rather than unconditional MFN clause. An unconditional MFN clause obliges a country to refrain from discriminating against any country with which it has an agreement. Thus, if A and B have a reciprocal trade agreement, and A makes a new agreement with C, concessions made by A to C are automatically applicable to B as well. Under a conditional MFN clause, however, B only receives those concessions if it provides “equivalent” compensation to A.⁵⁰

It is important to note that a country cannot simultaneously follow a conditional MFN policy toward some countries and an unconditional MFN policy toward others. As Jacob Viner explains:

The existence of a single unconditional most-favored-nation pledge in a country's treaties makes all the other pledges, whatever their form, unconditional in effect. Suppose that A has most-favored-nation treaties with countries C, D and E, of which [those with] C and D are conditional and E unconditional, and that A grants to B, for compensation, a reduction in tariff duties. C and D cannot claim from A the benefit of this tariff reduction for their own commodities on the ground that it

47. Frank W. Taussig, *The Tariff History of the United States*, 8th ed. (New York: Putnam, 1931), pp. 279 and 353.

48. David A. Lake, “Structure and Strategy: The International Sources of American Trade Policy, 1887–1939” (Ph.D. diss., Cornell University, 1983), pp. 3–19.

49. Francis Bowes Sayre, *The Way Forward: The American Trade Agreements Program* (New York: Macmillan, 1939), p. 50.

50. Henry J. Tasca, *The Reciprocal Trade Policy of the United States: A Study in Trade Philosophy* (Philadelphia: University of Pennsylvania Press, 1938), p. 102.

has been given to B, unless they offer compensation for the reduction equivalent to that given by B. But E can claim the reduction unconditionally, and once it has been given to E freely, it must then be extended to C and D also.⁵¹

The conditional MFN clause is an American invention, and for some time only the United States, among the major trading powers, adopted it. This put the United States in the position of a free-rider: "Dealing mainly with countries who were extending unconditional most-favored-nation treatment to other countries, the United States received, by virtue of her conditional most-favored-nation treatment, everything which she would have received if they had all been unconditional. But she gave nothing in return."⁵² In game-theoretic terms, the United States was defecting, while its partners were continuing to cooperate.

Nevertheless, the United States exchanged the conditional MFN clause for the unconditional one in 1923, under the Harding administration. According to Viner, American adherence to the conditional MFN clause resulted from the impossibility of negotiating commercial treaties with several important countries, as a consequence of which American exports were seriously discriminated against. The one-sided advantages gained from conditional MFN agreements by the United States made it difficult to negotiate commercial agreements at all.

The alternative to a change in U.S. policy would have been a move toward conditional MFN treatment by its trading partners. Had such a move been made, what Adam Smith excoriated as "the sneaking arts of underling tradesmen" would have been elevated into political maxims for the conduct not merely of a great empire but of world trade in general.⁵³ Perhaps influenced by Smith's famous rhetoric, contemporary observers recognized that conditional MFN policy was also encumbered by the two defects of specific reciprocity noted above: the difficulty of establishing equivalence and the temptation to erect barriers for bargaining purposes. Equivalence is impossible to ascertain reliably, since "the relations between nations are so widely disparate that no two can offer precisely the same price." As the acting chairman of the U.S. Tariff Commission wrote to the secretary of state in 1922, it was "almost impossible to arrive at any agreement upon the equivalent concessions to be made by the third party." Furthermore, conditional MFN policy invites countries to pad tariff rates and raise trade barriers, in order to improve their bargaining positions when called upon to make equivalent concessions.⁵⁴

An even more serious difficulty with conditional MFN policy was created

51. Viner, "Most-Favored-Nation Clause," p. 104.

52. *Ibid.*, p. 105.

53. Adam Smith, *An Inquiry into the Nature and Causes of The Wealth of Nations* (1776; reprint, Chicago: University of Chicago Press, 1976), 1:518. This passage appears in bk. 4, chap. 3, pt. 2.

54. Sayre, *Way Forward*, p. 108; Culbertson, *Reciprocity*, p. 246; Sayre, *Way Forward*, p. 109.

by the combination of sequential negotiations and interdependence among the trading partners. In such a situation the terms of even mutually advantageous bilateral agreements can be altered by the consummation of new bargains between one of those trading partners and another country. The partner to the original agreement that is disadvantaged by this shift is naturally inclined to renegotiate the original pact. Suppose that in 1905 the United States had granted a concession on French wines in return for a concession by France on imports of American machinery, and that in due course the United States had offered Italy a similar concession on its wines, in return for, say, a reciprocal concession on American grain. France could claim that the value of the concession it received on wine had been reduced, since much of the benefit of the concession to France would have depended on the discrimination against Italian and in favor of French wines. France could then demand further concessions from the United States.

Reflecting on this problem, contemporary leaders saw that the result of an active policy of negotiating trade agreements under conditional MFN would be, at best, an infinite series of inconclusive bargains, perpetuating rather than removing discrimination among countries. Each new bargain would undermine previous ones; the more agreements made, the worse the tangle would become. They concluded that what I have called specific reciprocity, as provided in the conditional MFN clause, “involves unceasing and difficult negotiations which are quite unnecessary and often costly.” Such bargaining “is at best complicated and dilatory and seldom, if ever, produces results which are commensurate with the irritation which it engenders among excluded nations.”⁵⁵ Such considerations—advanced by a Republican tariff commissioner (William Culbertson) in the 1920s and by a Democratic assistant secretary of state (Francis Sayre) during the New Deal, contributed to the adoption of the unconditional form of the MFN clause by the United States in 1923 and to its incorporation in the Trade Agreements Act of 1934.

Where many issues and many countries are involved, insisting on specific reciprocity can create administrative and diplomatic nightmares. Even in the Kennedy Round of negotiations of 1967, insistence on reciprocity could have led to difficulties. Compensatory withdrawals of concessions threatened by governments in reaction to bargaining difficulties “affected third parties, and their efforts to redress the balance further widened the circle of those who felt that reciprocity could be preserved by still further withdrawals by them.”⁵⁶ In this case, however, the institutional arrangements of the Kennedy Round, including the provision for simultaneous final agreement and the involvement of the GATT secretariat, prevented the feared chain reaction of retaliation.

Specific reciprocity can lead to internal administrative tangles as well as

55. Sayre, *Way Forward*, p. 109; Culbertson, *Reciprocity*, p. 249.

56. Evans, *Kennedy Round*, p. 275.

negotiating perversities. An example of this is provided by U.S. policy with respect to the Tokyo Round code on subsidies and countervailing duties. In adhering to this code, the United States accepted an obligation to apply an injury test to subsidized exports from those signatories and countries that have accepted similar obligations. Yet only about thirty countries have fully subscribed to this code. If the United States were to practice specific reciprocity, it would have to apply different tests to identically subsidized exports of identical products from different countries: for instance, it could impose countervailing duties on Indian exports without determining that American producers had been injured, but it could not do so with respect to Pakistani exports.⁵⁷ This would complicate procedures enormously and make “the interest of others the measure of our interest.”

The practical difficulties of specific reciprocity extend beyond trade. Consider, for instance, issues of bank regulation. Specific reciprocity might seem to be a reasonable principle to apply to bank regulation: permission for a bank from country A to establish a branch in country B would be contingent on A's willingness to permit a branch bank from B to establish itself in A's territory. Yet although a few members of the Organization for Economic Cooperation and Development (OECD) apply this principle, the largest advanced industrialized countries have abandoned it. As a recent OECD report indicates, practicing reciprocity in this form leads to negotiating difficulties, since equivalence is difficult to establish. Each case is likely to be somewhat different. Furthermore, countries that are prepared to accept large foreign banking sectors cannot, in practice, enforce reciprocity, since to do so would “entail a fragmentation of the national regulatory framework to embody the different regulations applied in the home country of the foreign banks, thereby giving rise to a large range of competitive inequalities within the national banking system.”⁵⁸

The failure of the conditional MFN clause should make us cautious about specific reciprocity. Often such reciprocity can contribute to cooperation; but in complex multilateral situations perhaps involving domestic politics as well as international relations, its results may frustrate those who seek stable, beneficial agreements.

3. Diffuse reciprocity

Governments that rely solely on specific reciprocity in international relations need not accept any obligations toward one another. They may play Tit for Tat on the basis of self-interest alone. Thus writers on international relations

57. Gary Clyde Hufbauer and Joanna Shelton Erb, *Subsidies in International Trade* (Washington: Institute for International Economics, 1984), pp. 120–23.

58. R. M. Peccioli, *The Internationalization of Banking: The Policy Issues* (Paris: OECD, 1983), p. 78.

hardly mention obligation when discussing reciprocity. Axelrod, for instance, does not discuss reciprocity in terms of obligation; nor does the literature on reciprocity in trade policy emphasize obligation. Governments certainly cannot be counted on to behave benignly toward one another on the basis of a vague sense of global public interests. Within societies, on the other hand, actions that enhance social solidarity cannot be accounted for solely on the basis of specific reciprocity. To account for these actions, social scientists have introduced what I refer to here as the concept of diffuse reciprocity.

Consider the following example. Egoistic rational-choice theory predicts that individuals will not contribute voluntarily to the production of public goods, yet in societies such as the United States and Great Britain, they often do. Robert Sugden argues for the existence of a reciprocity principle in some societies which “says, with certain qualifications, that if everyone else contributes a particular level of effort to the production of a public good, you must do the same.” That is, “you must not take a free ride when other people are contributing.”⁵⁹ This interpretation of reciprocity clearly cannot be derived from specific reciprocity: a contribution to the lifeboat service in the United Kingdom or to the Wilderness Society in the United States will not increase one’s own chances of being rescued at sea or enjoying public wilderness. Although the notion of diffuse reciprocity rests on an untested assumption about norms, Sugden incorporates it into his argument because specific reciprocity alone cannot account for voluntary cooperation.

Obviously such strong principles of reciprocity are not widely shared in contemporary international relations.⁶⁰ Yet as we have also seen, the “sneaking arts” of specific reciprocity are often inadequate to promote mutually beneficial cooperation. To expand the range of cooperation in world politics, it may be necessary to go beyond the practice of specific reciprocity and to engage in diffuse reciprocity: that is, to contribute one’s share, or behave well toward others, not because of ensuing rewards from specific actors, but in the interests of continuing satisfactory overall results for the group of which one is a part, as a whole.

Since practitioners of diffuse reciprocity do not receive direct rewards for their cooperative actions, a pattern of diffuse reciprocity can be maintained only by a widespread sense of obligation. The social exchange literature helps us to think about obligation, since works in this tradition distinguish reciprocity from simple bargaining or exchange by stipulating that reciprocity always entails obligations of one actor toward another.⁶¹ Indeed, in the sociological and anthropological literature the language of reciprocity is the language of obligation. Moore, for instance, identifies reciprocity with mutual obligation.

59. Robert Sugden, “Reciprocity: The Supply of Public Goods through Voluntary Contributions,” *Economic Journal* 94 (December 1984), pp. 775 and 776.

60. Nevertheless, what I have elsewhere called “empathetic interdependence” should not be excluded a priori as irrelevant to world politics. See Keohane, *After Hegemony*, pp. 123ff.

61. Charles E. Lindblom, *The Intelligence of Democracy* (New York: Free, 1965), p. 63.

Gouldner declares that reciprocity connotes that each party has rights and duties. He defines norms of reciprocity as beliefs that "people should help those who have helped them, and people should not injure those who have helped them," and holds that such norms "impose obligations."⁶² Such norms need not imply altruism. Norms can consist of standards of behavior which are widely regarded as legitimate; they do not necessarily embody ethical principles that override self-interest.⁶³

Specific reciprocity, based on egoism, can help to limit conflicts in primitive societies as well as in international relations.⁶⁴ Even egoistic actors realize that limited cooperation is necessary if they are to engage in social exchange. In Blau's words, "it is a necessary condition of exchange that individuals, in the interest of continuing to receive needed services, discharge their obligations for having received them in the past." In turn, obligations and a pattern of compliance "contribute substantially to the stability of social systems. It is obviously inexpedient for creditors to break off relationships with those who have outstanding obligations to them. It may also be inexpedient for *debtors* to do so because their creditors may not again allow them to run up a bill of social indebtedness." In the long run, reciprocity based on self-interest can generate trust based on mutual experience as a result of the "recurrent and gradually expanding character" of processes of social exchange. That is, by engaging successfully in specific reciprocity over a period of time, governments may create suitable conditions for the operation of diffuse reciprocity.⁶⁵

For specific reciprocity to become successfully institutionalized, much less to lead to diffuse reciprocity, exchange must take place sequentially rather than simultaneously. Both game theory and social exchange theory stress that reliance on simultaneous exchange alone provides an unsatisfactory basis for long-term relationships. If simultaneous exchange alone were possible, few agreements could be made, since issues frequently arise sequentially

62. Moore, *Injustice*, p. 506; Gouldner, "Norm of Reciprocity," 169–71.

63. Blau defines norms as involving not merely standards of behavior but moral codes that supersede self-interest. He therefore refuses to associate reciprocity with norms, on the grounds that this would make reciprocity inconsistent with self-interest. Like Blau, I think that a valuable conception of reciprocity must be consistent with self-interested practice; but since obligations may be undertaken by egoists, it seems clearest to define norms as standards of behavior to some of which even egoists could conform. See Keohane, *After Hegemony*, p. 57.

64. Roger D. Masters, "World Politics as a Primitive International System," *World Politics* 16 (July 1964), pp. 595–619.

65. The quotations are, respectively, from Blau, *Exchange and Power in Social Life*, p. 92; Gouldner, "Norm of Reciprocity," p. 175; and Blau, *Exchange and Power*, p. 94. In some cases, of course, reciprocity may reflect solidaristic social norms. Edward Schlieffen, for instance, accounts for reciprocity among the Kaluli, a New Guinea tribe with about 1,200 members, by pointing out that for this tribe reciprocity embodies a "socially shared sense of proportion, an ideology and a set of assumptions and expectations which form the basis upon which Kaluli approach and deal with many kinds of situations, both inside and outside the context of exchange." See Schlieffen, "Reciprocity and the Construction of Reality," *Man* 15 (September 1980), pp. 502–17.

and an appropriate “quid” for a “quo” may be impossible to find at any given time. Furthermore, in simultaneous exchange, obligations never exist, since the exchange is balanced at every moment. There is never a “debt” or a “credit.” Yet as Blau observes, the existence of debts and credits can in the long run increase confidence among members of a social system. Sahlins comments that among primitive tribes, “a measure of imbalance sustains the trade partnership, compelling as it does another meeting.” Likewise, Gouldner argues that we should expect to find mechanisms in society which not only promote repayment of obligations but which “induce people to *remain* socially indebted to each other and which *inhibit* their complete repayment.”⁶⁶ In chapters 42 and 43 of Herman Melville’s novel, *The Confidence-Man*, this association between simultaneous exchange and lack of confidence is epitomized by the sign that the riverboat barber uses to indicate his demand for immediate cash payment: “No Trust.” From a game-theoretic point of view, it is significant that the action of Melville’s novel takes place aboard a large boat that makes frequent stops and that characters continually appear and disappear. Since no one can count on seeing anyone else again, each game of Prisoner’s Dilemma must be played in isolation—that is, conflictually.

Sequential reciprocity promotes long-term cooperation much more effectively than does simultaneous exchange. Conversely, when simultaneous exchange takes place, it often reflects a breakdown of confidence. Extreme examples of purely simultaneous exchange indicate hostility and distrust. Such an instance occurred in 1981, when American diplomats held hostage by Iran were liberated in return for the release of Iranian financial assets held in the United States. Detailed arrangements involving third-party guarantors were made to ensure that neither side could double-cross the other.

In practice, specific reciprocity in world politics combines elements of simultaneity and sequentiality. When the Soviet Union and the United States endorsed reciprocity as a valuable principle for their relationship, as in the strategic arms agreements, they surely had in mind simultaneous concessions. Likewise, “reciprocal trade negotiations” such as the Tokyo Round are designed to lead to simultaneous commitments by the parties involved. Yet in both instances, these commitments are made against the background of past sequences of action and reaction and in the context of expectations that other actions, such as the enactment of legislation and its implementation by governments, will follow.

Both game theories and theories of social exchange emphasize the importance of sequences of action in enabling reciprocity to contribute to cooperation. The social exchange literature carries the emphasis even further, however, by alerting us to the importance, for the development of institu-

66. Sahlins, *Stone Age Economics*, p. 201; Gouldner, “Norm of Reciprocity,” p. 175, his emphases.

tionalized patterns of reciprocity, of temporarily unbalanced exchange and the obligations that such imbalances create. That unbalanced exchanges are common in the world political economy is thus significant. As in primitive societies and credit markets under capitalism, such exchanges may create mutual confidence, since repayment over a period of time provides information to lenders about the habits and character of borrowers.

Stable patterns of specific reciprocity are often the most one can expect in world politics: genuinely diffuse reciprocity is rare. The latter only occurs within cooperative international regimes that link countries with extensive shared interests and is never as solidary as family or small-group ties. Perhaps the closest approximations to diffuse reciprocity on a global level are found in international integration processes involving “upgrading the common interest,” such as Haas discovered in the early years of European integration efforts.⁶⁷ In such international regimes, actors recognize that a “veil of ignorance” separates them from the future but nevertheless offer benefits to others on the assumption that these will redound to their own advantage in the end.⁶⁸

The experience of European integration shows that diffuse reciprocity can be transformed into specific reciprocity as well as vice versa. Haas has pointed out that in the early period of European integration, between 1955 and 1965, “the parties expected reciprocal benefits of a sequential nature, i.e., they expected these to be realized in the medium to long term and therefore were quite prepared to offer one-sided concessions as down payments, banking on the development of a *process* of reciprocal response to satisfy their individual interests and values. . . . Equivalence was soft-pedaled.” This changed after 1965: “equivalence is now highly valued and benefits are not deferred.”⁶⁹ The current emphasis on specific reciprocity by the British and others, including the French, constitutes a violation of the older, more integrative diffuse norm.

To analyze the virtues and defects of diffuse reciprocity, let us return to our international trade example. Unconditional MFN treatment constitutes diffuse reciprocity. Third parties no longer demand reciprocity for concessions given to others: these are extended automatically. The demand for equivalent contingent concessions is abandoned provided that each partner remains sufficiently loyal to the norms of the regime to be “in good standing.” In GATT, for instance, the legal obligation to reciprocate is the obligation to extend MFN treatment to other GATT members, subject to various exceptions such as those for customs unions and free-trade areas (Article 24) and for less developed countries (Article 36).

67. Ernst B. Haas, *The Uniting of Europe: Political, Social and Economic Forces, 1950–57* (Stanford: Stanford University Press, 1958).

68. Robert O. Keohane, “The Demand for International Regimes,” in Krasner, *International Regimes*, p. 158.

69. Ernst Haas, personal communication.

Yet unconditional MFN treatment can render countries that continue to make trade concessions vulnerable to exploitation by others. Imagine a situation in which a number of countries have made reciprocal trade agreements with one another, thus forming a network of such arrangements all of which incorporate unconditional MFN. Now suppose that one of these countries refuses to make any additional concessions, but simply acts as a free-rider, taking advantage of any future concessions made among its partners. Insofar as this recalcitrant country is an important trader, its policy will confront its partners with a distasteful choice: continue to liberalize, providing the defecting state with uncompensated benefits and thus rewarding it for its intransigence; or limit the scope or extent of otherwise rewarding liberalization to avoid this result.⁷⁰

As a result of this free-rider problem, unconditional MFN treatment does not necessarily lead to lower trade barriers than does the specific reciprocity of conditional MFN. In his defense of unconditional MFN, Viner asserts flatly that it afforded no remedy for “exaggerated tariffs.”⁷¹ As Blackhurst points out, unconditional MFN treatment may retard or accelerate liberalization: “Do the pro-liberalization countries pull along the unenthusiastic countries, with the result that the overall pace of liberalization is speeded up, or do the recalcitrant countries act as such a drag that the overall pace is slower than it would be if the pro-liberalization countries acted unilaterally?”⁷² The government procurement and safeguards codes of the Tokyo Round, which permit nonsignatories to be excluded from their benefits, suggest second thoughts about unconditional MFN treatment by the United States and some other countries. Diffuse reciprocity, in the absence of strong norms of obligation, exposes its practitioners to the threat of exploitation. In the absence of strong norms of obligation, specific reciprocity may provide an antidote to the abuse of diffuse reciprocity.

4. Reciprocity and institutional innovation

Specific reciprocity is an appropriate principle of behavior when norms of obligation are weak—the usual case in world politics—but when the occurrence of mutually beneficial cooperation seems possible. Three conditions principally determine whether the exercise of specific reciprocity leads to cooperation: the extent to which the players have interests in common, the “shadow of the future,” and the number of players in any given game. In addition, international regimes may make specific reciprocity more effective

70. This, of course, is similar to the situation faced by major trading partners of the United States before 1923, as described above, insofar as they had made commercial agreements with the United States.

71. Viner, “Most-Favored-Nation Clause,” p. 107.

72. Blackhurst, “Reciprocity,” p. 231.

by providing information to the players, reducing transaction costs, and limiting strategic options.⁷³

Diffuse reciprocity, on the other hand, is only feasible when some norms of obligation exist: that is, when international regimes are relatively strong. These norms may express the actors' conceptions of their self-interest, but their conceptions of self-interest must be broad and their confidence in the good faith of others fairly great. An important contribution of the social exchange literature is the suggestion that the successful pursuit of specific reciprocity may lead to the development of diffuse reciprocity. In other words, repayment of political and economic debts in a strictly bilateral context may increase confidence, enabling actors to take a broader view of their common interests. Conversely, the decay of diffuse reciprocity may lead actors to revert to conditional exchanges on a *quid pro quo* basis. Thus specific and diffuse reciprocity are closely interrelated. They can be located on a continuum, although the relationships between them are as much dialectical as linear.

This discussion of specific and diffuse reciprocity points up the connections between international regimes and governments' interests. International regimes are fundamentally affected by state interests, but how governments define these interests is not self-evident. The institutions that link states together, and the forms of reciprocal behavior in which states engage, can affect the conceptions of self-interest that guide behavior.

Policy makers often try to combine specific and diffuse reciprocity in order to get the best of both worlds. Such attempts can create ambiguity and lead to further difficulty. Properly structured, however, institutions that embody combinations of the two forms of reciprocity can facilitate cooperation in world politics. International trade policy since World War II illustrates this point well.

Neither diffuse nor specific reciprocity has provided a fully satisfactory principle of behavior in international trade. Over the last forty years, governments of the major market-economy countries have responded accordingly by devising a new, intermediate form of reciprocity, institutionalized in the GATT. This hybrid invention is built on the principle of diffuse reciprocity: the adoption of unconditional MFN clauses means that each bilateral relationship need not be characterized by a balance of equivalent concessions. On the contrary, GATT relies on indefinite obligations and expectations of achieving a rough balance at a higher level of welfare for everyone.

As we have seen, however, simple adoption of unconditional MFN clauses would create serious free-rider problems. To forestall these problems, GATT first adopted the "principal supplier rule" as a supplement to unconditional

73. These three dimensions of situations, which affect cooperation, are discussed by Kenneth Oye and others in the special issue of *World Politics* 38 (October 1985). Keohane, *After Hegemony*, discusses how regimes facilitate cooperation.

MFN clauses. This rule provided that compensation for concessions on a given product was demanded from all countries supplying at least a certain proportion of the market. Thus only quite small suppliers (in the Dillon Round, 1960–62, only those with less than 10% of a market) could be free-riders.⁷⁴ Beginning with the Kennedy Round in the mid-1960s, and continuing with the Tokyo Round ending in 1979, negotiations on tariff-cutting formulas and exceptions to these formulas replaced item-by-item negotiations. The primary negotiations took place among the major trading powers in each round, but care was taken to extract concessions on a reciprocal basis from other countries before the signing of a final accord. As GATT ministers declared in preparing for the Kennedy Round, “in the trade negotiations it shall be open to each country to request additional trade concessions or to modify its own offers . . . to obtain a balance of advantages between it and the other participating countries.”⁷⁵

Thus the actual principles of contemporary “reciprocal trade” incorporate a compromise. The emphasis in tariff negotiations on formula reductions and negotiations among major trading countries, with these concessions generalized to other members of GATT, avoids the complex problem of attaining item-by-item reciprocity. Yet specific reciprocity still comes into play at the end of negotiations, as a way of forestalling the free-rider problem.

Specific reciprocity as applied in these multilateral trade negotiations differs in two important ways from the conditional MFN treatment employed by the United States in 1900: first, it is applied within the context of an international regime whose norms emphasize liberalization and nondiscrimination; and second, it is employed in simultaneous rather than sequential negotiations. Agreements do not unravel, because they are not made until the related pieces are in place; indeed, it is precisely the threat that everything will fall apart that propels participants toward last-minute concessions. At the same time diffuse reciprocity plays a greater role than before, based on a shared belief in the importance of the overall balance of concessions and the resultant effect on trade and welfare. Ultimately, neither specific nor diffuse reciprocity alone constitutes a satisfactory principle of action.

The successful synthesis of specific and diffuse reciprocity in the Kennedy and Tokyo rounds exemplifies the significance of institutional innovation in world politics. The forms of reciprocity adopted made a difference. As the social exchange literature suggests, sequences of action, both within negotiating rounds and between them, help to create obligations and solidify ties among the participants. Yet the resulting norms remain weak enough that specific reciprocity persists as an essential element of the tariff reduction process.

74. Blackhurst, “Reciprocity,” p. 224.

75. Evans, *Kennedy Round*, p. 185.

Conclusion

Specific reciprocity has much to commend it as a principle of action in international relations: it can permit cooperation to emerge in a situation of anarchy; it tends to deter defection; and it provides a standard of behavior—expressed well in Axelrod's Tit for Tat strategy—that bureaucrats and politicians can easily understand and explain. It may also create conditions for the growth of diffuse reciprocity.

Yet specific reciprocity is not a sure-fire recipe for promoting cooperation. It protects its users against exploitation by focusing responses on identifiable actors but thereby restricts the possible bargains that can be reached, makes multilateral negotiations extremely complex, and may provoke feuds even in bilateral relationships. Diffuse reciprocity, on the other hand, may reduce the chances of unnecessary conflict where interests are compatible but exposes its practitioners to the danger of exploitation.

Given that neither type of reciprocity is entirely satisfactory, it is not surprising that governments have sought to devise strategies for capitalizing on the benefits of each while compensating for their defects. Institutional innovations in trade are particularly interesting. Negotiations conducted on the basis of simultaneous specific reciprocity were embedded in a larger pattern of sequential trade negotiations. These negotiations were incorporated, in turn, in a set of norms and rules which emphasized diffuse reciprocity (unconditional MFN treatment). The effect was to encourage agreement by avoiding the perversities of sequential specific reciprocity, yet still limiting opportunities for exploitation.

We know that the anarchy of international politics is consistent with a wide range of conflict and cooperation. Without altering the basic structure of anarchy, governments can make the world safer, or more dangerous, through the strategies they follow. The feasibility of alternative strategies can be affected in turn by prevailing institutional arrangements, as embodied in international regimes. Thinking about reciprocity reminds us of the significance of the international regimes that provide the context for strategic interaction in much of contemporary world politics. To understand the conditions under which international cooperation can occur, we need to think further about strategies and institutions in world politics, and how they are linked.