

The Perils of Doctrine: A Reply to

Håvard Hegre, John R Oneal & Bruce Russett: Trade does promote peace: New simultaneous estimates of the reciprocal effects of trade and conflict

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Rafael Reuveny
Indiana University

Brian M Pollins
Ohio State University

Omar MG Keshk
Ohio State University

Introduction

As we read the Hegre, Oneal, and Russett (HO&R) piece in the November 2010 issue of the Journal, we had a sense of *déjà vu*. In 2001, Ed Mansfield and Brian Pollins invited many researchers to a trade and conflict conference at Ohio State University, including Reuveny and, of course, Bruce Russett and John Oneal (a postdoc Keshk was also there). Russett and Oneal (RO) argued with strong conviction that international trade promotes peace.

Joined by Hegre, they now restate this position. It is their first published work using a simultaneous equation model (SEM), a method we have long emphasized. HO&R (2010) claim to have found the “errors” in the ways we had taken in our Journal of Politics (JOP) article, which had led to results contradicting their position (Keshk, Pollins & Reuveny, 2004). Once they fix these errors (in a sense to be discussed below), they claim, the liberal truth shines through once again. We address their points with respect for their work and with good intentions. At stake, we see two competing approaches to doing research.

The HO&R (2010) result that trade promotes peace in a SEM does not surprise us. We published their result in February 2010, but we did not stop there (Keshk, Reuveny, & Pollins, 2010). Rather than “errors,” we saw key open issues regarding data, indicators, and model specification.¹ We found that different plausible

choices on these issues resulted in conclusions that greater trade has either no effect on conflict (as in classical Realism), a positive effect on conflict (as in neo-Marxism and Realism/Neo-Mercantilism) or a negative effect on conflict (as in Commercial Liberalism).

Our approach to research is distinct from HO&R (2010). They settle research questions based on one criterion: data, indicator, modeling, and theory choices that do not support their liberal position must be wrong. We see value in research regardless of the results. In this reply, we lay out the perils of their approach. Along the way, we will touch upon HO&R-specific trade and conflict issues.

Commercial Liberalism versus the Primacy of Politics

We need not spend the reader’s time to stipulate that RO have re-established commercial liberalism as an important perspective in IR. HO&R (2010) correctly describe the position we took in 2004 as “The Primacy of Politics,” so named by us because our finding from a simultaneous equation framework suggested that peace promotes trade, but not the other way around. Hence, the political relations of war and peace drive economic ties.

Several researchers commented on our article. HO&R (2010) took the extra step of writing an article about our work. We thank them for their effort. We have been in contact with Oneal long before they published their article. Oneal’s comments on our 2004 JOP article

¹ We sent our published paper to Russett in February 2010, though HO&R do not cite it.

led us to correct some technical data errors, though the trust of our results did not change much.² This effort grew over time and eventually led to our 2010 publication in *Conflict Management and Peace Science*.

To provide a condensed summary of our 2010 study, we identified plausible alternative research choices regarding trade data, key indicators, and model specification, which led to 36 SEMs.³ We found that greater conflict significantly reduced trade in all cases. Support for the commercial liberal claim was far from being robust. We concluded that the “trade brings peace” thesis stands on shaky ground, but we now realize that the issue is much larger than whether the classical liberals were right about trade, for at stake is an approach to doing research, a philosophy of science.

Data and Model Specification

RO and now Hegre would have the field believe that anyone who deviates from their path “errs.” The weight of evidence, they are fond of saying, is on their side, confirmed by many articles. This weight, however, is hardly heavy, for it is based on RO or RO-like papers that employ almost similar statistical models, indicators, and data. For the sake of enlightening the general readership and, hopefully, inspiring new and old researchers in this area, let us highlight some specific contentions we see between their approach and ours.

Data

HO&R (2010: 768) tell us they ‘use Long’s data to provide additional evidence that commerce promotes peace.’ Interesting turn of phrase, we think, that they sought out evidence that trade brings peace, rather than research what is the effect of trade on peace. Perhaps they were unaware that the trade data used by Long (2008) were those assembled and generated by Gleditsch (2002), which RO have championed for years. Readers must be cautioned that there are important trade data issues that RO routinely ignore. Allow us to sketch this point briefly.

If you think of data on all the international bilateral trade flows as a grand matrix for, say, 1960-2010, you would have a huge number of cells. To the surprise of most people who have never worked with

this matrix, more than half of its cells are empty, or missing. Gleditsch (2002) fills the missing cells by assumptions.⁴ (Of course, there are many assumptions that one could make in this case, but this is not the issue here.) Our 2010 paper showed that the trade brings peace result was sensitive to the use of the Gleditsch trade data. Use only actual observations, and no liberal effect is found. We suspect the HO&R case is also vulnerable; we essentially verified this point in our 2010 article. As in our 2004 piece, our 2010 results again demonstrated “The Primacy of Politics.” Jungblut, Boehmer & Stoll (2011) examined what proportion of the missing Gleditsch trade cells needs to be filled before the OR result emerges. Their answer is quite a lot.

RO have used filled-in trade data routinely, including in HO&R (2010), but we should not consider the issue as settled, as they would wish us to do. Nor should we claim that a liberal effect existed all the way back to 1885, as they do, for the number of missing trade cells is even larger.⁵

To be clear, we appreciate the effort of Gleditsch; his data are what they are and he clearly states the way he puts them together. We are not against using them *per se*. We do take issue, however, with RO championing these data as best, failing to mention that a commercial liberal effect washes out when another reasonable trade data assumption is made, i.e., that missing data are just that, missing; we simply do not know what they are.

Indicators and Model Specification

HO&R (2010:764) describe the famous gravity model as their cornerstone. This widely used approach models interactions as a function of the size of two actors and the distance between them. “Size” and “distance,” however, are concepts. They are unique in Newtonian mechanics, but not in the social sciences. For example, is GDP or capability a better indicator of size? Should we use distance between ports, capital cities, geographical centers, borders, economic centers, or cultures? Should we focus on shared borders? Should distance take into account topography?

We ask these questions not because we “know” the “correct” answers (we do not), but rather to illustrate that there is more out there than what RO consider. For

² In our 2010 article, we thanked Oneal for his technical comments on an earlier draft.

³ Plausible alternatives are those that can be reasonably defended and appear in the literature.

⁴ We discuss these assumptions in our 2010 article.

⁵ As far as we can see, their only complaint about missing data prior to 1950 concerns “the PT’A indicator (2010: 771)”.

example, HO&R (2010) use the distance between capital cities, but the issue is far from being settled. The trade gravity literature, for one, uses many specifications and indicators. While our 2010 study saw choices to be explored, they consider a single model, which “happens” to produce their desired result, and label plausible alternatives to be *ipso facto* in “error.”

A conflict model, they say, is flawed unless it includes both inter-capital distance and a discrete indicator for contiguous borders. What they fail to say is that the issue of how to model proximity is debated and many researchers, including Oneal et al. (1996), Oneal & Russett (1997, 1999), Oneal, Russett & Cox (2000), and Hegre (2000), offer conflict models that include only contiguity.⁶

Our 2010 piece illustrated conceptual and logical problems associated with including inter-capital distance in our conflict models. Still our empirical analysis included models with contiguity and distance, and with contiguity and without distance. We found that even with distance and contiguity in the conflict equation the commercial liberal position is not robust, just as we found in 2004 for a simultaneous equations model without distance. In short, we can say that the RO claim requires a certain way of filling missing trade data, and it is not robust to how we model proximity (and country size, by the way, as we show in our 2010 article). Our conclusion that trade plays little if any role in conflict, according to RO and now Hegre, seems to have been our error, but alas, we see no reason for a *mea culpa*.

Theory and Philosophy of Science

We are most troubled by their implied approach to doing research, their philosophy of science. If the classical liberals cannot help but be right all the time, we might as well close shop in international relations and look for intellectual thrill elsewhere. Fortunately, there is no need to panic; the classical liberals are not the sole keepers of the truth. In particular, their trade logic has

some merits, but is quite narrow.

RO want us to believe that the economic gain motive is paramount, as they repeatedly state in HO&R (2010), and elsewhere. By their account, leaders must be irrational to engage in conflict if it were to entail economic loss with a trade partner. This Kantian logic per se is not the problem, defending it in the name of rationality is. Perhaps HO&R (2010) forgot that rationality has nothing to do with maximizing profit or any other goal for that matter. Rather rationality asks if actions are in line with some goal, any goal (including establishing a Thousand Year Reich, for example).

Leaders fighting trade partners (e.g., Wilhelm II, Wilson, FDR, Hitler, Tōjō, Stalin, G. H. W. Bush, G. W. Bush II, Saddam Hussein, Barak, Sharon, Arafat, Obama, Cameron, Sarkozy, and Gaddafi) are as rational as those that did not (a notable example is Henri Albert Gabriel Félix Marie Guillaume, Grand Duke of Luxemburg). Those that fought simply did not care about the lost profits as much as HO&R (2010) would like them to care. Should we use rationality in the HO&R manner, we risk a similar contamination of our research with an ideological agenda.

Indeed, commercial liberalism is only a theory. It is not even the only theory. Other theories expect more trade inflames relations, or does not affect them at all. These theories are perfectly logical, but they too are just figments of our modeling brains. In our own work, we find that conflict reduces trade, and trade does not have much of an effect, if any, on conflict, but unlike HO&R (2010) we see this result as a step in an ongoing research program, not necessarily its final statement. No social scientist, of course, knows the “true” model and we can never be sure we have found it using statistical methods.

We are pleased to note that RO now like part of our position, that peace brings trade (e.g., 2010: 770), yet they would have us believe that this is a novel proof of commercial liberalism when it is neither a proof nor novel. It is not proof since it is not a sufficient condition. Commercial liberal theory collapses if conflict does not reduce trade, but trade promoted by peace does not have to promote peace. The HO&R point is not novel for it has been stated before (e.g., Pollins, 1989; Reuveny, 2001, Keshk, Pollins & Reuveny, 2004; and sources they cite). It would be better if HO&R would simply acknowledge this point, rather than present it as a novel proof of their claim, which it is not.

Finally, RO, and now Hegre, quietly assume that countries pursue absolute, not relative, trade gains. Of course, if they pursue relative gains, trade can inflame or

⁶ This opens a Pandora’s Box of conundrums. For example, would RO and Hegre say they “erred” and write a piece about it? RO sometimes exclude distance on grounds of using politically relevant dyads, though this sounds rather contrived. In other papers, they exclude it for all dyads. HO&R cite Robst, Polachek & Chang (2007) in criticizing us, but this study excludes contiguity and we suspect HO&R would say it “erred,” but can a study that “errs” be used in support of a claim that another study “errs?”

cause conflict. We know that countries sometimes care about relative gains. The US, for example, carefully watched its trade with the Soviet Bloc and carefully watches its current trade with China, Iran, and Russia, and for a good reason, of course. The possibility of perceived relative loss remains even for benign pairs. In fact, Americans tend to think in terms of relative gains in trade when they consider relations with specific partners (Herrmann, Tetlock & Matthew, 2001). Commercial liberal theory can do no more than dismiss such thinking as “irrational,” but in doing so must ascribe to people its own preferences, ignoring the preferences people really have.

Our philosophy of science thus differs from the one of RO and now Hegre. Instead of deciding upfront to look for evidence in favor of a certain position, and label other positions as errors, we prefer to keep the books open, continue study, and hope to deepen our understanding.

Conclusion

The task of the trade and conflict research community, HO&R (2010) imply, is to look for evidence that commerce promotes peace. They offer a restricted narrative regarding what to think, which trade data to use, how to fill in missing trade cells, how to construct indicators, and which variables to include. They offer a doctrine. Challenges to this doctrine, they tell us, are “errors” to be corrected. Their approach has served them well in terms of publishing some quite similar papers that “correct errors” of others, including ours.

Grant them all of their assumed restrictions and you will find their result – we have already published this very finding, but if you dare look beyond any of their restrictions, you will see their result is not robust. Our own empirical work in 2004 and 2010 showed that trade mostly does not bring peace, but peace always brings trade.

In the larger scheme of things, we think the relationship is bounded. Peace seems to be good for trade, though there are some examples where trade goes on side-by-side with conflict. Trade may be a force for peace, though its effect in the cost-benefit analysis of war seems to be too weak to have a robust effect. We know that at times trade does not dissuade leaders from resorting to armed force. There are also times in which trade seems to inflame hostility.

Unfortunately, despite all the good research of the last three decades or so, we are not yet in a position to delineate when and where the borderlands between

those results lie; it is for future research to continue to ponder. Commercial liberal doctrine would advise against engaging actively in this endeavor by pointing out “our errors” and implicitly labeling us as “irrational,” but then we really do not have to accept it as the ultimate truth in international relations.

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Biographical Statement

RAFAEL REUVENY, b. 1957, PhD (double major) in Political Science and Business Economics (Indiana University, 1997); Professor, School of Public and Environmental Affairs, Indiana University (1997-).

OMAR MG KESHK, b. 1966, PhD in Political Science (Ohio State University, 1999), Senior Lecturer, International Studies Program and Political Science Department, Ohio State University (2001-).

BRIAN M POLLINS, b. 1950, PhD in Political Science (MIT, 1981), Associate Professor (Emeritus, 2007), Political Science Department, Ohio State University; Now teaches at the Naval Postgraduate School, California.