THE ECONOMIC SINS OF MODERN IR THEORY AND THE CLASSICAL REALIST ALTERNATIVE

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Every battle... fails to come off as those who planned it expected it to.
That is inevitable.

—Leo Tolstoy, War and Peace

ISM matter. They reflect underlying philosophical points of departure and are rooted in specific explicit assumptions about how the world works. The very different expectations and conclusions of diverse theories often stem from the fact that those theories were derived from distinct and contrasting paradigmatic roots. To be aware of those foundations is to understand the likely strengths, weaknesses, limitations, controversies, and specific attributes of the various theories. In contemporary international relations (IR) scholarship there is a common claim that we are past paradigms, and many younger scholars are expected to recite this mantra. But making such a claim is a political act, not an intellectual one. It reflects the hegemony of one particular paradigmatic perspective—one with specific analytical building blocks of individualism, materialism, and hyperrationalism—an approach that is a paradigm and one so powerful that it has been described as an "intellectual monoculture."1

Classical realism offers an alternative approach. As a point of departure for the study of world politics, it is distinct from schools of thought such as liberalism and Marxism, especially with regard to the reductionist materialism of those perspectives. It is also distinct from its...
realist cousins, structural realism and neoclassical realism. All of these realisms share common orienting principles regarding the significance of the role of anarchy, fear, the balance of power, and the national interest, as well as the central role of politics in explaining the behavior of actors in international relations. Classical realism is distinguished from its brethren, however, by four attributes: (1) structure matters but is irretrievably indeterminate; (2) aspects of domestic politics, including ideational variables, are essential keys to understanding state behavior; (3) great powers seek more than just security and are instinctively opportunistic; and (4) international politics—the choices made by states—are uncertain, contingent, and consequential. While each of these either violates core tenets of structural realism or attends to factors structural realism deems superficial or ephemeral, each is central to classical realism.

Classical realism also contrasts with another dominant approach in contemporary IR theory, hyperrealism, which is characterized by an extremely strict (and misguided) definition of rationality that it imposes on the actors whose behavior it aims to model. In particular, classical realism holds radically different (and more empirically defensible) assumptions about rationality—and, in addition, about the predictive capabilities both of rational actors in world politics and of the scholars that hope to model them—than does hyperrealism.

With the rise of both structural realism and hyperrealism, an older, classical realist tradition with its emphasis on choice, contingency, history, ideology, uncertainty, and unpredictability was rejected in favor of more purportedly scientific and, in particular, economistic approaches to IR theory. The ironic consequence of this change was the devaluation or, in some cases, the abandonment of political factors in explaining behavior in world politics. An unfortunate and less appreciated attribute of structuralism and hyperrealism is that they commonly feature the misapplication of economic theories and analogies to the study of IR. Correcting these mistakes invites the renaissance of classical realism.

This article considers the economic sins of contemporary IR theory—that is, the pervasive errors of analysis that result from the embrace of different forms of economism. Much of structural realism, for example, derives from the misguided adaptation of price theory (that is, microeconomic competition) with the scarcity constraints of markets seen as analogous to the disciplining constraints of anarchy. The minimalist assumptions of neorealism have also encouraged an all-too-easy

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2 Neoclassical realism is essentially modified neorealism, and more accurately called neo-neorealism. For an overview, see: Lobell, Ripeman, and Tulaferro 2009; and Rose 1998.
reification of a style of analysis, now pervasive across most IR paradigms, that values prediction above explanation. But in IR theory, at least for big questions such as the causes of war, chasing prediction is fool’s gold, diverting inquiry from the richer analytical mines buried further below the surface. Finally, and related to the easy exaltation of prediction, much contemporary IR theory, rooted in the hyperrealist turn, has hitched its wagon to the star of a certain type of macroeconomics: rational expectations theory. But the naked emperor of rational expectations was exposed by the global financial crisis, and even where the approach adds value to economic theory, it is particularly unsuited for adaptation to IR theory. In the sections below I elaborate the nature of these sins and contrast them with the classical realist perspective.

THE FIRST MICROECONOMIC SIN: MISUNDERSTANDING
MARKET PRESSURE

Classical realists have an acute sensitivity to the balance of power, which must be recognized and attended to since it establishes the constellation of potential security threats. But unlike Kenneth Waltz’s neorealism, which became the hegemonic voice of realism in the 1980s (to the extent that, even among specialists, neorealism is often conflated with realism), classical realism aims to put structure in its place—that is, to understand its strengths and considerable limitations as a tool for understanding world politics. From a classical realist perspective, to insist that analysis be limited to the systemic level (a consideration of states as like units differentiated only by their relative capabilities) is to demand the sound of one hand clapping. Waltz, however, was dismissive of any appeal to variables at other levels of analysis. “It is not possible to understand world politics simply by looking inside of states,” he insisted. “The behavior of states and statesmen . . . is indeterminate.” While this observation may be true, left unsaid is that it is

3 Another departure from structural realism as it is commonly practiced is that, even when operating at the systemic level, classical realists tend to place much more emphasis on dynamics (that is, changes to the balance of power) than on statics (such as whether the system is bipolar or multipolar). Thucydides famously wrote that the “real” cause of the Peloponnesian War was that “the growth of power in Athens, and the alarm which this inspired in Sparta, made war inevitable.” This phrase has been repeated so often it has become a cliché; nevertheless, an emphasis on changes to the balance of power is a crucial element of classical realist thought. Straussler 1996, 16, 44, 49; Gilpin insists that “the most important factor for the process of international political change is the not the static distribution of power in the system (bipolar or multipolar) but the dynamics of power relations over time.” In either setting, it is the changes in relative power among the principal actors in the system that are key. Gilpin 1981, 93, see also 4, 6, 13–14, 96.

4 Waltz 1979, 65, 68.
also true for the effects of the system. Classical realists are very alert to the structure of the system because in the context of anarchy and the possibility of war, the balance of power conditions states' fears and expectations as well as influences the pattern of interactions between them. But they also hold that it is impossible to understand world politics simply by looking outside of states. The implications of systemic forces are inherently and irretrievably indeterminate.

This is the case for international relations just as it is for the microeconomic theory (as applied) that serves explicitly as the intellectual template for neorealism. The international system does indeed impose constraints on states in a manner analogous to how market forces limit the range of choices available to firms. The market, like the international system, derives from the collective behavior of its participants and also generates pressures that are beyond the control of any particular actor. But the analogy is ultimately imperfect and self-negating as it applies to international relations. Even assuming an idealized abstract market with similar firms seeking the singular goal of maximizing profits or market share, the deterministic implications of systemic market pressure are dependent on very strict assumptions of perfect competition that hold when there is a very large set of small actors that have no power to affect the market (and are therefore labeled price takers). But as the idealized assumption of perfect competition is relaxed, although market forces remain vital, individual choices—idiosyncratic choices—become increasingly central to explaining behavior. In particular, large firms in oligopolistic settings, while certainly not unconstrained by market forces, nevertheless enjoy considerable discretion as to how they pursue their goals.6

The problem for IR theory is even more subversive. It is true, and problematic for neorealism, that oligopolists are not price takers and thus have discretion over what course of action they choose. Moreover, they are not simply presented with market pressures, their choices also contribute to the shape and definition of those pressures. Even worse (for neorealism) is the fact that once oligopoly or duopoly enter the picture, the most basic predictions can’t be made and expectations about the most elemental aspect of neorealism—balancing behavior—can’t be derived. Great powers may tend to balance against each other (classical realists expect this, just as structuralists do), but such balancing does not necessarily follow from economic theory. In fact, microeconomic theory suggests the opposite: oligopoly theory shows that oligopolists

5 On this point, see Jervis 1977, 19–21.
6 For a good discussion of some of these issues, see Nye 1988, esp. 235, 242, 245.
and duopolists have more to gain by colluding with each other than they do by competing against each other. (Thus rather than balancing against one another, great powers, especially in bipolarity, face great incentives to form a condominium and divide the spoils.) The danger of such collusion is so great in the economic sphere that there are commonly laws against it within domestic societies. Economic theory cannot predict which will occur—collusion or competition—because numerous, varied, specific, and contingent factors make one or the other more likely. This has been widely understood by economists for generations: “It has long been recognized that oligopolists may achieve monopolistic results by means of an explicit agreement, and that they may well behave in an essentially monopolistic way even without any explicit collusion. It is also widely appreciated, however, that some form of economic warfare is an alternatively possible outcome.” Even George Stigler, who was tireless in his efforts to emphasize the efficiency of the unfettered market, began his classic paper on oligopoly by accepting “the hypothesis that oligopolists wish to collude to maximize joint profits,” which is rooted in the fact that their “combined profits . . . are maximized when they act together.” Stigler was motivated to probe the limitations of such collusion but readily acknowledged the fact that it commonly occurs, even when firms have to resort to complex and hazardous strategies designed to evade (that is, break) the law.  

Regarding international relations, it is especially true that great powers have considerable discretion, which is all the more important for theory as they attract the lion’s share of analytical attention from realists of all types, including Waltz, who held that “a general theory of international politics is necessarily based on the great powers.” But most states in general, and great powers in particular, look much more like oligopolists regarding the behavior of each other than like tiny firms facing disembodied constraints under perfect competition. Again, oligopoly fundamentally changes the metaphor and requires attention to more than structure. As Raymond Aron observed, “[T]he structure of the international system is always oligopolistic. In each period the principal actors have determined the system more than they have been determined by it.” Oligopolistic competition implies indeterminate

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7 Bishop 1960, 933, 960; Stigler 1964, 44. “Only by making special assumptions about the oligopolistic environment . . . can we expect to wind up with a specific prediction regarding oligopoly behavior,” that is, “predictions regarding the extent of competition or collusion.” Shapiro 1989, 332; see also Schumpeter 1954, 980–81.

8 Waltz 1979, 73.

9 Note, for example, that firms in perfect competition cannot even really distinguish one firm from another.
outcomes and also that actors' choices shape the systemic environment. This point is crucial because it means that not only do states have choices, but also that the choices they make matter—not simply for filling in colorful or minute details, but for shaping the pressures that in turn affect other states.\(^{10}\) In international relations, the indeterminacy and system-shaping behavior of states are of even greater consequence than the same behaviors of firms and markets because despite common attributes, states in world politics are less similar to each other than are firms of the same industry. In addition, as classical realists have observed, despite a common desire for survival, states pursue a broad range of goals—certainly more diverse than the goals of firms—that vary from state to state.\(^{11}\) Furthermore, even in pursuit of the narrowest common goal—survival—states are still less predictable than firms because they typically have more latitude. Firms are selected out of the system more frequently than states.

In sum, the balance of power (and changes to it) and the systemic pressures generated by an anarchic political order more generally, inform the environment in which all states act. In that context, however, all states, and especially great powers, enjoy considerable discretion with regard to how they pursue their goals and what sacrifices they make in the face of constraints. It is thus impossible to understand and anticipate the behavior of states by looking solely at structural variables and constraints. To explain world politics, it is necessary to appeal to a host of other factors, including domestic politics, history, ideology, and perceptions of legitimacy. To many modern ears this sounds incongruous because the dominance of structural realism has left the impression that "realists can't do that." But classical realists take domestic politics and other such variables seriously. They understand that state behavior is shaped by the lessons of history, ideas, and ideology and (discussed below) that states are not best understood as hyperrationalist machines but that they make choices conditioned by those influences and in a context of considerable uncertainty.

To understand that state choices are informed by historical experience and filtered through ideological lenses, it is necessary to dig below the surface. Different states, as political animals, see the world in different ways. As Robert Gilpin has argued, "[F]oremost among the determinants of these perceptions is the historical experience of

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\(^{10}\) To be clear, from a classical realist perspective, the choices of great powers shape, but do not determine, the nature of systemic forces that influence other states (and themselves). Here the microeconomic analogy holds: oligopolistic firms are not price takers, but neither are they free from the constraints and incentives created by the market. (Aron quote is from Gilpin 1981, 29.)

society...what lessons has the nation learned about war, aggression, appeasement, etc.? Classical realists place great emphasis on domestic politics and take seriously the role of historical experience, ideas, norms, and legitimacy in explaining international relations. Indeed, as a paradigm of IR theory, realism is distinguished from liberalism and varieties of Marxism by its rejection of a reductionist emphasis on individualist materialism and by its emphasis on political goals, collective ambitions, and the content of national sentiment and political values. Thucydides routinely appealed to regime type (and factional conflict within regimes) in his explanation of why actors behave a certain way in world politics. E. H. Carr regarded the role of public opinion (“power over opinion...is a necessary part of all power”) very seriously; Hans Morgenthau attributed many of the pathologies of US foreign policy to ideology and domestic politics; and George Kennan’s most famous and influential work rooted the sources of Soviet conduct to internal Russian politics, historical experience, and the nature of the Russian character.

This remains, it need be stressed, robustly realist, with all the reassuring darkness and pessimism that implies. Classical realists do not assume ideas are good or that lessons are learned accurately. They anticipate with dispositional cynicism that very often ideas, instrumentally or even perhaps unwittingly, serve interests (what Carr called “the relativity of thought to the interests and circumstances of the thinker”). They do not expect norms to prevent states from pursuing radically dangerous foreign policies. But they do expect that all of these things significantly affect politics and behavior. Realists may withhold moral judgment on the merits of competing ideologies, but states’ choices will nonetheless be deeply affected by the influence of one ideology or the other. Norms may not stop states from engaging in horrifying acts of barbaric aggression, but historical experience and perceptions of legitimacy condition the way in which states interpret the meaning of each other’s actions; certainly this view was central, for example, to Carr’s thinking.

12 Gilpin 1981, 51; Gilpin 1974, 401, 403. Interestingly, there is a certain affinity here with Keynes, whose approach to economic theory, as discussed below, is also consistent with classical realism. In the memoir that summarized much of his own personal philosophy, Keynes even more pointedly criticized “an over-valuation of the economic criterion,” which he saw as the source of “the final reductio ad absurdum of Benthamism known as Marxism.” Keynes 1949. Keynes remains, unfortunately, an underappreciated thinker in contemporary political science. See Kirshner 2009.


THE SECOND MICROECONOMIC SIN—THE PREDICTIVE FALLACY

The second microeconomic sin, common to structural realist approaches but a general characteristic and ambition of contemporary IR theory of all stripes, is the embrace of a predictive model. Neorealism assumes that states are motivated by a desire for survival and crave security in order to assure that survival. Other than survival, their desires are, in Waltz’s words, “endlessly varied.” This survival-plus-agnosticism is the way in which structural realists model states. Even John Mearsheimer, touting a brand of structural realism ominously branded “offensive realism,” models states as seeking nothing more than to assure their own security and survival. The tragedy of great power politics derives from the (postulated) awful consequences of rational, dispassionate attempts to satisfy these understandable and fairly benign instincts.15

In contrast, classical realists are distinguished by their assumptions about the motivations of states and the influence of statesmen. In particular, they think that states want more than survival. Indeed, they think that great powers seek status and deference, and have a desire to shape the international environment in accordance with their preferences. These are all positional goods, and are dependent on the distinct content of those preferences, as Arnold Wolfers emphasized.16 These assumptions suggest a more dangerous world than is implied by neorealism—or, at the very least, a world of active varied political contestation—because however challenging it may be, it is possible to imagine settings in which two or more great powers can plausibly feel secure. But secure actors can still clash over status, primacy, and the orientation of global affairs. For classical realists, then, international politics is less of an active, present struggle for survival (most great powers, most of the time, are not faced with threats to their survival), and more about the clash of interests with outcomes determined by power. In addition, this perspective emphasizes that as instinctively political actors, states are motivated by more than simply the accumulation of material things—they have a desire for power as an end in itself. In this vision of politics there is no end zone, no ultimate goal achievement. Carr observed that “the exercise of power always appears to beget the appetite for more power.” Machiavelli concurred, concluding that “it does not appear to men that they possess securely what a man has unless he acquires

15 Waltz 1979, 91; Mearsheimer 2001, 30. For a critique of Mearsheimer, see Kirshner 2012.
16 Wolfers 1962.
something else new." Thucydides emphasized greed as a motivating force in world politics and a building block of realist analysis.17

This emphasis on politics, contingency, and choice, and, consequentially, diplomacy, distinguishes classical from structural realism. For the classicals, the trajectory of state choices—especially of great powers, which have the most room to maneuver—is uncertain and influenced by domestic politics, historical legacies, and, importantly, the choices made by other great powers whose behavior shapes the nature of the opportunities and constraints presented by the system. This also exposes the false promise of chasing prediction. Structural realists have been susceptible to the predictive fallacy because the minimalist conception of state goals lends itself to false confidence about the uniformity of likely behavior.

Classical realists, in sum, do not share a conception of inquiry that imagines a sequence of description, explanation, and prediction, with prediction as the end goal and crowning achievement. From the currently predominant perspective, prediction absent explanation is not problematic because poor explanation is irrelevant. If poverty of explanation or the unrealistic nature of assumptions were consequential, then better theory with superior explanation or more realistic assumptions would do a better job of predicting.18 Classical realists, although committed to rationalism, causality, generalizability, and hypothesis testing, nevertheless view forecasting the international political future as impossible, and thus direct their work away from prediction and away from orienting scholarship toward the idealized goal of prediction.19 Rather than describe, explain, and predict, the classical realist agenda is characterized by a different sequence: describe, explain, understand, and anticipate.

17 Carr 1946, 112; Machiavelli 1996, 4; see Spokman 1942, 20 ("the number of cases in which a strong dynamic state has stopped expanding or has set modest limits to its power aims has been very few indeed"); Kahler 1988, 455; Morgenthau 1946, 5, 42, 168, 195; and Morgenthau 1945, 1, 13, 16–17.
18 Friedman 1953 remains an excellent articulation and defense of this perspective. For an argument that the goal of science is explanation, not prediction, see Toulmin 1961.
19 One reader of an earlier version of this article observed that, as a matter of practice, relatively few scholars of international relations make point predictions about specific outcomes in world politics. To this reservation one could offer the Gaddis rejoinder—"It will not do to claim that forecasting was never an objective of these theories in the first place, because the theorists repeatedly set that task for themselves"—and several other critiques of aspirations to prediction raised in Gaddis 1992–93, 53 (quote). But the issue is a larger one, because the problem is not simply with the presence or absence of specific predictions but also with that more general aspiration. Even though it is the case that most IR scholars tend to (warily) shy away from specific point predictions about future events, pernicious consequences flow from the orientation of research around some imagined predictive ideal. The perspectives that I am critical of here are largely in the business of building analytical machines designed to improve predictive acuity, and they are evaluated on their ability to do so. And that idealized
This agenda is neither a radical move nor a rejection of the scientific method. Rather, it is a conservative stand rooted in analytical modesty and a respect for the limits of what international relations theory can hope to achieve. Classical realism, as founded and practiced, is committed to a scientific study of world politics. But this does not suggest a resort to test tubes and Bunsen burners. Rather, it reflects a commitment to the objective and dispassionate analysis of international political behavior. The realists' fundamental emphasis on acknowledging the reality of power gives pride of place to seeing the world as it is, not as one might like it to be, and requires, from an analytical perspective, a recusal from labeling actions good or bad, or right or wrong. Critical theorists are skeptical of whether analysts can achieve such objectivity and ethicists suggest implicit, inescapable moral choices (and culpability) attendant to the enterprise. Nevertheless, as Carr plainly describes and endorses, "Consistent realism . . . involves acceptance of the whole historical process and precludes moral judgment on it." But beyond the commitment to the objectivity and dispassion of science and to studied reason with the hope of intellectual progress, classical realists recoil from what Morgenthau called "the illusion of a social science imitating a model of the natural sciences." Central to this disposition is the issue of unpredictability, a key source of "the practical weakness of a political science which aims at emulating the natural sciences." Orientation around a predictive model is at the heart of much contemporary social science but is incompatible with classical realism. It also is an approach rejected by many of the seminal figures of twentieth-century economics. Frank Knight saw belief in prediction as the basic flaw in economic theory and stressed instead "the inherent, absolute unpredictability of things, out of the sheer brute fact that the results of human activity cannot be anticipated." One important

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vision, which aspires to prediction over explanation, even in a probabilistic sense, even as a hope recognized as unattainable, encourages the pursuit of one set of and one type of questions over others and reinforces a narrow set of criteria for how to evaluate theory. This argument is consistent with the related, complementary critique that contemporary IR theory has converged around an orientation that privileges narrow, instrumentalist hypothesis testing and devalues (or even dismisses) exploring causal processes (that is, explanation and understanding); see Mearsheimer and Walt 2013. Finally, it should be emphasized that, as a separate but crucial matter addressed in this article, the hyperrealist approach is based on the idea that the actors it models can and do make shared, savvy, accurate (if probabilistic) predictions about very specific events.

20 Teaching realism and proffering policy prescriptions based on realist analysis carry a certain risk: that assuming states behave amorally might contribute to amoral policies, just as teaching microeconomic theory, which models actors as if they are selfish egoists, actually "teaches" undergraduates to become more selfish. Frank, Gilovich, and Regan 1993.

21 Carr 1946, 91.

22 Morgenthau, 1946, 121, 139 (quotes), 150; see also Gilpin 1986, 307.
source of this “is the variation in the power of reading human nature, of forecasting the conduct of other men, as contrasted with the scientific judgment in regard to natural phenomena.” Friedrich von Hayek also emphasized the distinction between natural and social sciences, which informed his insistence that “in the study of such complex phenomena as market,” economists could expect to offer no more than “only very general predictions about the kind of events which we must expect in a given situation.”

Chasing prediction is the second microeconomic sin of contemporary IR theory. It is a problem that transcends realist infighting. Prediction—for example, predicting war—with a greater or lesser emphasis on qualifying conditions is explicitly or implicitly the ambition of an enormous body of IR literature from all theoretical orientations and methodological approaches. This literature treats the behavior of states as if they were individual consumers, with tastes for war the same as tastes for ketchup, sensitive to shifts in supply and demand. Indeed, in the study of consumer choice, causal factors can often be limited to a few relatively pristine independent variables, there is commonly an enormous universe of nicely homogenous data available for analysis, and it can be comfortably assumed that behavioral relationships are stable. Yet even in this most favorable of analytical settings, “prediction” refers to predicting the average behavioral response of a random actor drawn from a large population making similar choices and not to predicting the behavior of any one specific individual, which can, and will, vary broadly. Simply put, even as a price increase (for example)

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23 Knight 1971 [1921], 241, 311; Hayek 1989, 267, 271–72. On these themes, see also Derman 2011.

24 See, for example, Bennett and Stam 2004; and Van Evera 1999. Bennett and Stam are very much in the business of prediction (see, for example, 157), although they are very attentive to the challenges and pitfalls of such an enterprise (see esp. chap. 2, “Comparative Hypothesis Testing and Some Limits to Knowledge,” and pp. 165–66 on the challenge of generalizability). Van Evera is near the other end of the spectrum but nevertheless explores five principal hypotheses in order to “apply them to explain history, infer policy predictions, and predict the future” (p. 3). Both studies, it should be emphasized, are appropriately cautious; Bennett and Stam conclude, “there is no single story of war,” and “[i]n many ways we are as uncertain about the causes and likely timing of any individual war today as we were in 1942” (p. 201). Van Evera’s strongest predictive claim is a negative one; in the “total absence” of his five factors, “war rarely occurs” (p. 255).

25 Such as elasticities of income and demand and the market sensitivity to compliments and substitutes. It should seem manifest that the behavioral relationships between variables that contribute to the causes of war change over time (that is, the same factors that led to war in one historical setting might not lead to war in another). But the problem is more fundamental than that. Even from a very narrow, rationalist perspective, were a comprehensive “theory of war” somehow to emerge, actors would immediately integrate those findings and expectations into their own strategies and behavior. This would require an updating of the comprehensive theory, which would again lead states to alter their behavior, and so on, recursively. On this point, see, for example, Gartzke, 1999, 575. Gartzke also observes that “explaining war in individual cases becomes tantamount to accounting for the advent of ‘heads’ in the toss of a coin” (p. 568).
due to tomato blight will result in a reduction in the overall demand for ketchup, a person who loves ketchup will be relatively insensitive to such price shifts.

But in international relations, the ultimate goal is to capture that elusive individual behavior—the behavior of a particular state at some significant moment in time—as opposed to the behavior of a hypothetical average state. Moreover, consumers in such a microeconomic setting are drawn randomly from a vast sea of tiny actors operating under perfect competition quite unlike the market-shaping oligopolists that states in world politics are properly modeled as.  

Even in economics, which arguably offers settings more analytically hospitable to forecasting future outcomes, there is good reason to be wary of prediction. Alfred Marshall, one of the founding fathers of the marginal revolution in economics (with all of the analytical precision that implies), was nevertheless profoundly skeptical of prediction and this informed his approach to the discipline. Marshall explained how the problem of contingency—something more prevalent in international politics than in economics and what Morgenthau called “the interminable chains of causes and effects”—severely circumscribes the prospects for all but the most limited efforts at prediction. “Prediction in economics must be hypothetical. Show an uninterrupted game at chess to an expert and he will be bold indeed if he prophesies its future stages. If either side make one move ever so little different from what he expected, all the following moves will be altered; and after two or three moves more the whole face of the game will have become different.”  

Once again, these types of obstacles are even more problematic and intractable in the vastly more complicated analytical setting of world politics. Consider, for example, theories designed to explain the causes of war, and three additional challenges immediately emerge. First is the large number of explanatory variables, some of which can be quite mercurial and idiosyncratic, such as the personal attributes of leaders (would there have been a Falklands War absent Margaret Thatcher?  

21 On the challenge of complexity in international relations, and in particular with reference to the challenges of predicting the behavior of individual states, see Kindleberger 1954, 509–10; and Kindleberger 1958, 86.
23 Kishner 2007, chap. 6. In my view none of the possible alternatives to Thatcher, either from within the Conservative Party or the head of any possible Labor government, would have tried to use force to retake the Islands. Similarly, if a hypothetical President Gore had not fought the Iraq war—and Gore could have easily won that election, as he captured the popular vote and was arguably defeated by mistaken votes punched on confusing butterfly ballots—it would be very hard for a general abstract theory to account for that war (and all that followed as a consequence of its prosecution).
and many of which are intricately interdependent. Second is the lack of stability of the behavioral relationships over time, meaning that exactly the same set of circumstances that led to war in one period might not lead to it in another due to any number of factors. Third is the heterogeneity of the dependent variable—war. States choose to go to war for very different reasons. The resort to war—with different social meanings and purposes (compare, for example, the causes, motivations, and purposes associated with the first and second Gulf wars)—is likely the result of distinct and contingent causal logics.

Each one of these individual analytical challenges might, in theory, be addressed (with the likely exception of contingency, wedded as it is to uncertainty, discussed below). But can a general equilibrium theory of world politics be derived? The classical realist answer is no. "The first lesson the student of international politics must learn and never forget," Morgenthau lectured, "is that the complexities of international affairs make simple solutions and trustworthy prophecies impossible."

The trajectory of state choices—especially those of great powers, which have room to maneuver—is uncertain and contingent. Structural realists (and hyperrationalists), for example, cannot distinguish between Japan of the 1920s and Japan of the 1930s; for them the former was necessarily pregnant with the latter. Nor can they distinguish between Weimar Germany and Nazi Germany, or mourn the blunders of the Western powers in the 1920s that were rooted in a tragically short-sighted and narrow (and unrealistic) conception of the national interest. Classical realists, however, tend to see the catastrophes of the 1930s not as the inevitable consequences of physical laws but as rooted in the dismal political choices of the 1920s. A classical realist would have preferred to live in a world where Weimar thrived, was reintegrated into the international economy, and, however a bitter pill this might be to swallow, reemerged with some respect of its power and interests. In Kennan's view, "the great misfortune of the West . . . was not Hitler but the weakness of German society which made possible his triumph . . . which takes us back to the question of the attitude of the Western democracies toward the Weimar Republic," and the "lost opportunities" of the 1920s. For Morgenthau, "The German situation in 1932, for instance, contained essentially three such germinal developments:

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29 Consider, for example, the (very distinct) motivations and goals associated with the US invasion of Panama in 1989, China's attack on Vietnam in 1979, Great Britain's declaration of war on Germany in 1939, and Chile's decision to take on Bolivia and Peru in 1879.
parliamentary democracy, military dictatorship, and Nazism," any one of which could have "finally materialize[d]."

Which one? The classical realist can't be sure. The outcome depended on "the contingent elements of the situation" and "could not be foreseen." The same holds true today. For classical realists politics matter and the future is largely unwritten. Ironically, the classical realist vision of an unwritten future and a written and consequential past is the opposite of the approach taken by neorealism (and much of contemporary IR theory, including the ascendant hyperrealist approach), which insists on the absence (or at least the irrelevance) of history and a more determined future. Structural realists model their states as amnesiacs innocent of historical legacies, and their statesmen as caretakers arranging the deckchairs on ships guided by inexorable currents beyond their control.

THE MACROECONOMIC SIN: RATIONAL EXPECTATIONS AND THE HYPERREALIST TURN IN IR THEORY

The most consequential economic sin in contemporary IR theory can be found at the heart of what is arguably the predominant theoretical approach to the study of war, the rationalist explanations for war (REW) perspective. The central premise of this approach is that "given identical information, truly rational agents should reason to the same conclusions about the probability of one uncertain outcome or another. Conflicting estimates should occur only if the agents have different (and so necessarily private) information." Classical realism rejects this proposition—and not simply as a matter of intellectual disposition or analytical orientation or preference. Although the core REW proposition has a plausibly coherent internal logic, it crumbles under the weight of competing deductive claims, and, not surprisingly, is easily falsified when put to an empirical test. Thoughtful, dispassionate experts looking at the same extremely rich information set routinely come to markedly different expectations about the probability of various possible outcomes. This is a crucial engine of conflict in world politics, even between states whose foreign policies are directed by actors considered rational by any reasonable definition of the term.

31 Kennan 1951, 69, 70; Morgenthau 1946, 150.
32 Morgenthau 1946, 150; also 129, 139, 146–48, 220, 221.
33 Feareon 1995, 392.
34 Kirshner 2000.
The fundamental flaw of the REW approach (and of the hyper-rationalist turn in international relations theory more generally) can be found in its uncritical and intimate (if often implicit) embrace of the rational expectations revolution in macroeconomic theory. A central tenet of rational expectations theory is that actors process information quickly, efficiently, and correctly and, crucially, that they share knowledge of the essentially correct underlying model of the economy. This approach took the economics field by storm and seemed to overthrow preceding Keynesian logic. It also presented a raft of empirically testable implications. But rational expectations did not test well. Even leading anti-Keynesians concluded that “the strong rational expectations hypothesis cannot be accepted as a serious empirical hypothesis.” Other mainstream economists concluded that “the weight of the empirical evidence is sufficiently strong to compel us to suspend belief in the hypothesis of rational expectations.” Most attributed the empirical failure of rational expectations to the flawed underlying assumptions of the approach. These dissents only increased as mistakes in the treatment of expectations and rationality came home to roost, as the limits to the deductive logic and empirical applications of rational expectations theory were exposed, most visibly by the global financial crisis of 2007–8. Critics, armed with ever more evidence, increasingly observed that rational expectations models have “turned out to be grossly inconsistent with actual behavior in real world markets.”

In contrast, a classical realist perspective typically models actors with what could be called “realistic expectations.” It sees rational actors aiming to advance relatively stable and ordered preferences by drawing thoughtfully and logically on implicit models of how the world works. To reiterate, REW’s hyperrationalist approach, grafted from rational expectations theory, holds the view that rational actors must know and share the same (more or less correct) model of international politics (and so if they have the same information, they must reach the same conclusions). In a world of rational expectations, as described by founding father John Muth, “expectations, since they are informed predictions of future events, are essentially the same as the predictions of the relevant economic theory.” Similarly, as Thomas Sargent, one of the leaders of the movement, explained, “[Y]ou simply cannot talk about” differences among people’s models in the context of rational

35 A good introduction to this literature is Miller 1994.
36 Brunner and Meltzer 1993, 42; Lovell 1986, 123; Friedman 1979, 26–27; Frydman and Goldberg 2007, 54 (quote), see also 29, 106, 113–14, 126, 132, 138, 140, 151, 203.
37 With variations representing random errors distributed around the correct underlying model.
expectations. "All agents inside the model, the econometrician, and God share the same model." This can't be emphasized enough. If competing, enduring models exist, rational expectations theory does not work, and REW does not work, full stop.

"Rational expectations" was remarkably successful—as a rhetorical device. By seizing the label "rational" and imposing a definition of it, the implication is that alternative approaches assume people somehow hold "irrational expectations." But John Maynard Keynes and others, including classical realists, did not argue that actors were irrational. Rather, Keynes assumed agents are essentially rational, purposeful, and motivated, but not hyperrationalist automatons that always have the right information and know the proper underlying model of how the economy will work, and, as such, can predict future outcomes with canny precision, leaving space, of course, for randomly distributed errors that cancel each other out. (Rational expectations theory and REW envision a probabilistic world of known risk and thus do not require actors to make exactly the same predictions or for those predictions to be correct. They do, however, require that actors anticipate exactly the same probability functions of those expected outcomes, which derive from a shared model.) Actors, as seen by Keynes, will thoughtfully process information, but they will often guess or fall back on personal experiences, conventional wisdom, and various rules of thumb to help guide them through the cacophonous noise of economic activity and irreducible uncertainty.

Much of the rational expectations revolution was caught up in active and politicized debates about Keynesian-style policy management, especially in the context of the dismal economic performance of the 1970s. But it was a long trip from Keynes, who died in 1946, to Keynesianism and, more importantly, one need not embrace Keynes to reject rational expectations. Indeed, some of the greatest and most celebrated intellectual opponents of Keynes were economists who also explicitly rejected assuming such hyperrationality and bird's-eye omniscience. As noted above, even with regard to economic phenomena,

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38 Muth 1961, 316; Evans and Honkapohja 2005, 566.
39 Thus, variations in prediction, and variations in the accuracy of those predictions, should be distributed randomly around the correct outcomes.
40 See, for example, Keynes 1936, 148–49, 151–52; Keynes 1937, 113–14. Again, Keynes is not arguing that people are irrational; rather, with reference to "our rational selves" Keynes is merely reminding ourselves that human decisions affecting the future, whether personal or political or economic, cannot depend on strict mathematical expectation, since the basis for making such calculations does not exist" (1936, 162–63). As Skidelsky observes, "the centerpiece of Keynes' theory is the existence of inescapable uncertainty about the future"; Skidelsky 2009, xv. On these issues, see also Beckert 1996.
Hayek was profoundly skeptical of the prospects for prediction. And he was fine with that—in fact, he was rather insistent about it. His purpose was to chastise the hubris of his fellow economists. "I confess that I prefer true but imperfect knowledge, even if it leaves much indetermined and unpredictable, to a pretense of exact knowledge that is likely to be false." Frank Knight also stressed "true uncertainty" that is "unmeasurable" and "must be taken in a sense radically different" from risk. He not only insisted on the fundamental distinction between risk and uncertainty (a distinction incompatible with rational expectations theory and the REW approach), but also saw uncertainty as the very engine of capitalism from which entrepreneurs find their opportunities for profit. Uncertainty brings about the "necessity of acting upon opinion rather than knowledge" and following one's own instincts while trying to gauge the opinions of others for additional clues and insights.41

Thus REW and classical realism are rooted in two radically different conceptions of how to model the rational actor. Of these two competing perspectives, we now know that the foundation of the REW approach, rational expectations theory, is wrong. That is, outcomes in the real world are inconsistent with its expectations (which should be of little surprise given the shaky deductive foundations of the approach). By 1999 even Sargent was forced to throw in the empirical towel. In his book, *The Conquest of American Inflation*, he evaluated two competing macroeconomic models designed to explain the pattern of inflation in the US—one a modified version of the old-fashioned adaptive-expectations model and the other based on the rational expectations challenge that discredited the former. It turns out, Sargent concluded, that the old-fashioned model, "which seems to defend discredited methods," is more successful than the rational expectations version of the natural rate model that is "more popular among modern macroeconomists." Subsequent critics have spoken even more plainly, concluding that the grievous "empirical failures" of rational expectations models make clear that they simply are not in accord with real-world outcomes.42

The failure of rational expectations roots back to its extreme and implausible assumption about individual behavior and economic theory. In practice, rational individuals reach different conclusions when presented with the same facts. Knight, as quoted above, attributed this to

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41 Hayek 1989, 271–72, 275; see also Hayek 1945; Knight 1971 [1921], 19, 20, 198, 232–33, 268, 287–88, 293; and Friedman and Goldberg 2007, 3, 15.

42 Sargent 1999, 133; Friedman and Goldberg 2011, 52 (quote), 102, 139, 196.
the “inherent, absolute unpredictability of things” and expected that actors would display “diversity in conduct” rather than uniformity.43 More dubious still is the assumption that all actors are aware of the “true” and unchanging underlying model of the macroeconomy.44 But again, and this point is worth belaboring, rational expectations theory assumes that “the representative individual, hence everyone in the economy, behaves as if he had a complete understanding of the economic mechanisms governing the world.” (For REW, substitute “political mechanisms.”) But they don’t. “No economist can point to a particular model, and honestly say ‘this is how the world works,’” explained Mervyn King, former Governor of the Bank of England. “Our understanding of the economy is incomplete and constantly evolving.”45 And that’s in regard to economics, where many theoretical relationships, for example between the money supply and the inflation rate (which, actually, has its own problems in practice), are at least solid enough to allow rational agents to make informed predictions about future price levels.46 In sum, rational expectations theory, upon close scrutiny (not to mention rather publicly slamming into a hard wall of reality in 200747), revealed serious flaws and limitations as an approach in economics, which it had come to dominate. In addition, whatever its merits for economics, it doesn’t work at all as a foundation for IR theory.

Why is this approach wrong and particularly ill-suited for application to questions of war and peace? First and foremost, in international relations—a fantastically more complex setting than macroeconomic forecasting—leaders, statesmen, and experts hold different and competing (and typically implicit) theoretical models of world politics. When confronted with the same information—even complete infor-

43 Knight 1971 (1921), 19, 242, and also 231, 233, 241; see also Kirshner 2000, and Jervis 2002, 297–98.

44 Colander et al. 2009, 256; As one early critic, Benjamin Friedman, observed, rational expectations assumes “that economic agents not only know the relevant current and past observations, plus the future values of selected time series, but also have whatever additional knowledge is required to transform this information into objectively unbiased conditional expectations of the time series to be predicted.” Friedman 1979, 26–27, 38. Recent critics have continued to hammer away at the utter implausibility of these assumptions, noting that they imply “all market participants would have discovered an overarching causal mechanism that characterizes aggregate outcomes, as well as how the causal factors evolve over time.” Frydman and Goldberg 2007, 52; also 4, 6, 8, 28; see also Frydman and Goldberg 2011, 56, 64, 65.


46 Again, as noted above, differences across experts could still occur, but they would be randomly distributed around the mean implied by a shared underlying model.

47 It is beyond the scope of this article, but the global financial crisis settled the question of the "efficient markets hypothesis," a virtual Siamese twin of rational expectations theory. As Eugene Fama, the intellectual father of the hypothesis notes, "rational expectations stuff is basically efficient markets", Clement 2007, 22.
mation, that is, all of the information that can be known at a given point in time—they will make different guesses based on those disparate implicit models and theories. These actors will not have converged around the same and essentially correct models of war (what will cause them, how they will unfold). And because of the enormous complexity of the assessments involved, the small number of cases to draw on, the heterogeneity of the relevant sample (even possible disagreements about what is a relevant data point and what conclusions to draw about it), even assuming behavioral stability among the variables over time (which is extremely unlikely), bad or inferior theories will not be selected out.48

Consider what the hyperrationalist approach insists upon. Since actors know in advance (that is, share the same probabilistic expectations regarding) the costs of the war, how those costs will be distributed, and what the outcome of the war will be, a rational actor would prefer to reach a deal to avoid war since there is money on the table and a mutually beneficial bargain can be reached. With no loss of blood and treasure involved, a bargained outcome must be Pareto superior to a war outcome. (This purely materialist conception strips the analysis of all politics. For example, it is easy to imagine a rational leader even under these conditions who would find the political gains of fighting and losing to be larger than the gains associated with his portion of the bargained outcome. For the sake of argument and clarity, this essay sets aside such considerations and takes the approach solely on its own terms.)

Think for a moment what this approach requires. Recall the core claim: “given identical information, truly rational agents should reason to the same conclusions about the probability” of all possible outcomes. Thus given identical information, all parties should agree (in a probabilistic sense) on the eventual outcome of a war and the costs to each side of that outcome before a single shot is fired. This claim simply disintegrates when confronted with its practical implications. Even a virtually omniscient vantage point fails to assure a convergence of expectations. Consider, for example, the fall of France in 1940. Expert historians with unlimited access to reams of comprehensive evidence—and knowledge of the actual outcome of the battle itself—still disagree

48 For example, the US went to war in Korea in 1950, in Vietnam in 1965, in Iraq in 1990, and was fighting in Afghanistan in 2005. Each setting obviously involved different troops, weapons, leaders, terrains, adversaries, and politics. Are these data adequate to produce a singularly accurate theory designed to “predict” the capaciousness of US troops or the choices to be made by US leadership in wartime, say, in the Pacific theater in Asia in 2025?
about whether Germany's victory was virtually inevitable or an unlikely stroke of luck. These disagreements are not the result of private information or randomly distributed errors around a fairly correct and widely shared model, but rather are due to the multiplicity of causal models deployed by the experts and sustained by the absence and practical impossibility of a singular predictive model of war. (And, obviously, if actors disagree over questions as basic as who will win the war, the core of agreements that both sides will find satisfactory is likely to be a null set.)

Consider what would have been necessary for France and Germany to reach an efficient bilateral agreement in order to avoid World War I. Given the astronomical costs of that war, not to mention the horrifying loss of life, surely there were antebellum agreements that each side would have found preferable to the actual outcome. But for the model to work, before the war started, French and German officials, assuming they were given equal access to every bit of information available to either side at that time, would have had to come to exactly the same conclusions (that is, assigned equivalent probabilities to): the likelihood of the outcome (French victory and German defeat) and the cost of that outcome to each side in blood and treasure. In addition, they would have had to assign the same probabilities to events including, but certainly not limited to, (1) the failure of the Schlieffen plan (and its consequences for the war); (2) the initiation and failure of the Gallipoli campaign (which A. J. P. Taylor called "an ingenious strategic idea carried through after inadequate preparation and with inadequate drive"); (3) Triple Alliance member Italy's entrance into the war on the side of the allies (and the consequences of that for the war); (4) the collapse of Russia into revolution, its withdrawal from the conflict, and its separate peace with Germany (and the consequences); (5) the American entry into the war (and the consequences); and (6) the failure of the German spring offensive of 1918 (which saw Germany's greatest territorial advance).

This scenario sounds utterly implausible, because it is. War, as well as many of the steps taken toward its approach, is a plunge into radical uncertainty and rational experts can and will disagree, profoundly, with regard to their expectations about its cost, course, and consequence,

49 May 2000 looks at the evidence and reaches conclusions that are the opposite of Bloch 1999 [1940]. Judd 2008 looks at the evidence and reaches conclusions that are the opposite of May's.

50 On the eve of any war, for example, both sides will be making guesses (again, drawing on different implicit models) about crucial variables that are unknown and unknowable to both sides and that will become apparent only when the war is under way.

51 Taylor 1967, 104.
even in the most complete and symmetrical information environments imaginable. Indeed, elite decision makers within states who share the same information disagree about the implications of war—how much it will cost, how it will unfold, how it might widen, what will be its ultimate outcome—as a perfunctory scanning of the minutes of cabinet meetings or military planning sessions on the eve of any conflict makes clear.52

A basic reason why the new approach does not hold in practice is that there is simply too much space for different theories (that is, different implicit causal models) to exist, to be sustained, and to be sluggishly updated along varying pathways. From the hyperrealist perspective, through a process of learning (and/or perhaps a natural Darwinian elimination of those who hold the "wrong" models), there must be convergence toward the correct model. But in international relations, this will not be the case. If experience shows an expert that his prediction is wrong, given a probabilistic world (as new assumes), the meaning of such an outcome can be contested. If a theory suggests that a certain outcome has a 70 percent chance of occurring, it means the theory holds that that outcome will not happen 30 percent of the time. So when a failure is observed, is it the result of a flawed model or bad luck? Either is possible; it is very difficult to determine which occurred with very small heterogeneous samples. As a result, competing theories are not easily selected out. Given that most experts have some level of confidence in their own expertise, they are apt to be cautious about updating their models in the wake of just one such episode. More likely they will react as Tolstoy described: "[I]n the failure of that war he did not see the slightest evidence of the weakness of his theory. On the contrary, the whole failure was to his thinking entirely due to the departures made from his theory."53

The implicit expectation of the new approach with regard to updating provides an example of one of the pitfalls of grafting economic theory onto international relations and is an illustration of the scientific overreach of hyperrealism (as opposed to the conservative analytical modesty of classical realism.) Theory updating requires a large set of similar trials. But the data set available to two sides approaching war is typically very small and riddled with fundamental dissimilarities—due to the passage of time; new force postures and weaponry (both untested in battle); and different political elites, generals, and

52 Recall, for example, the radically differing assessments and expectations of members of the elite "Executive Committee" during the Cuban missile crisis.
53 Tolstoy 2004, 729.
soldiers (also perhaps untested in battle). Compare this situation with
the expectations of the economists who champion rational expecta-
tions. When Eugene Fama was asked if new financial instruments such
as collateralized debt obligations (CDO) were increasing market risk, he
responded that there was simply not enough data "to come to any con-
clusions on these issues." Indeed, he explained, it might take as long as
"another half century before we really know." Fama, proponent of the
efficient-markets hypothesis, is a leading hyperrationalist. Imagine if
he'd been asked a question about the how the innovation of submarines
(or aircraft, tanks, or a volunteer army) might influence the course of a
future war. (Again, for reW to hold, experts must agree, completely and
promptly, about the consequences of every innovation on the course
and consequence of future wars—without the luxury of fifty years of
repeated trials or mountains of data provided by daily market trading.)

Finally, even the aspects of rational expectations theory that work
in economics are singularly unsuited for application to theories of war
because they are best suited for situations of continuity, when the fu-
ture is most likely to look very much like the recent past. But to initi-
ate a war is to dive headlong into the unknown, or, at the very least,
into the different. (Note how common it is to speak of prewar and
postwar periods; war represents the discontinuous juncture between
patterns of behavior found in one era as opposed to another.) It is the
very moment when a rational expectations-based theory would be least
expected to work well. This was certainly seen at the site of the global
financial crisis. In the years before the crisis, macroeconomic theory
had converged around an approach called dynamic stochastic general
equilibrium (DSGE), which is rooted in microfoundations of indi-

cidual actors with rational expectations. These models performed well
during normal times.55

But DSGE models did not anticipate the global financial crisis and,
more to the point, had no way to even account for the possibility of
such a crisis. (Legend has it that one eminent financial historian had
long been dismissive of the approach, because "it excludes every-
thing I am interested in," As the Economist explained, DSGE models
"do badly in a crisis ... because their 'dynamic stochastic' element only
amounts to minor fluctuations around a state of equilibrium, and there
is no equilibrium during crashes." Not surprisingly, after the finan-

54 Clement 2007.
55 See, for example, Woodford 2009; and Blanchard 2009.
ECONOMIC SINS OF IR THEORY

The relevant point is that all rational expectations models work best in the context of continuity, not change. Such models require the past to be a reliable guide to the future, and work best in the context of continuity—when things are "normal." However and again drawing on a financial crisis analogy, in periods of innovation and change it is plausible, even likely, that behavioral relationships will change. At such moments, there is often very little past—as one observer asked, "How could the trajectory of a CDO squared be judged from past data when that 'past' was just two years old?" Similarly, financial models are at their best when the sailing is smooth, but prone to "fail badly during times of panic, fear, and limited liquidity." This is why it became common for critics of financial models to ridicule their performance during crises—the 1987 stock market crash, for example, would have been predicted to occur once in a billion years, but was soon added to the long list of other once-in-a-planetary-lifetime economic disturbances in the decade that followed.57

The problem for REW, with its intimate, essential embrace of rational expectations, is that war is not tidy and certain, and is quite explicitly a departure from "normal." It is the political equivalent to voluntarily initiating a moment of crisis, novelty, and discontinuity. Thus, it is exactly the moment when rational expectations-based models will have the least to say.

THE CLASSICAL REALIST ALTERNATIVE

In sum, classical realists look at the microeconomic and macroeconomic stories told by contemporary IR theory and come to fundamentally different conclusions. For structural realists and hyperrationalists, the lesson is that history, ideology, politics, content, and purpose can be dispensed with because states are a homogeneous band of similarly striving materialists who must respond to the uniform imperatives of anarchy (or be selected out of the system). Classical realists reach virtually the opposite conclusion, and from the same economic analogies see the central roles of fundamental uncertainty, consequential

56 An excellent discussion of these issues can be found in the Congressional Hearing tasked with evaluating the state of macroeconomic theory in the wake of the crisis. Those providing testimony included Nobel laureate Robert Solow and one minority witness, V. V. Chari, who acknowledged that "this class of models failed to see the crisis coming," and "tended to deemphasize these kinds of financial crises," but nevertheless offered a spirited (if unconvincing) defense of the approach. Committee on Science and Technology, House of Representatives, 2012. See also Economit 2010; Buitr 2009 (Buitr quotes Charles Goodhart on DEGIE; and Colander et al. 2009).
contingency, and inherent unpredictability. Thus while classical realists tend to be pessimistic when it comes to expectations about the nature of world politics and sensitive to the basic role of power and wealth in conditioning state behavior, they see as essential to understanding the choices made by actors the variables that competing (and predominant) approaches forbid.

Most fundamental is the classical realist skepticism of prediction, either as the goal of the analytical enterprise (the idea that better theories mean improved prediction) or in informing the ability of actors in the moment (or even in retrospect) to agree on what must be the consequence of a given course of action. This skepticism, as noted above, is not a rejection of the scientific study of politics but a conservative regard for what social science can hope to achieve. Classical realists model their actors as rational, but not hyperrational, essentially as Keynes described them: doing the best they can to advance their interests in an uncertain world. It is this distinction between risk and uncertainty that most plainly exposed the limits of rational expectations theory during the global financial crisis and is at the root of the difference between classical realism and those perspectives against which it dissents.

For classical realists, “unique and unpredictable sets of developments” drive politics. Morgenthau emphasized the inherent unpredictability of military campaigns, with outcomes turning on factors that cannot “be foreseen with any degree of certainty.” Thucydides held a similar view, citing “the vast influence of accident in war” as one reason why “the course of war cannot be foreseen.” Put more bluntly by Gilpin, great powers initiating major war “do not get the war they want or expect,” which should be of little surprise, since “actors can seldom predict the train of events they set in motion.”

Predictive models, and the hyperrationalist project more generally, require a world of risk, whereas classical realism emphasizes uncertainty. Risk implies that the underlying probability distribution is known (as it is with dice). Uncertainty describes a world characterized by crucial unknowns and unknowables (as it is with war). As Keynes described:

The orthodox theory assumes that we have a knowledge of the future of a kind quite different from that which we actually possess. This false rationalization follows the lines of the Benthamite calculus. This hypothesis of a calculable future leads to a wrong interpretation of the principles of behavior which the

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need for action compels us to adopt, and to an underestimation of the concealed factors of utter doubt, precariousness, hope and fear.  

In a world of uncertainty, as Keynes argues, rational actors need to reach for decision-making rules that are at odds with much of what might be called rational by the strict and narrow version of the way rationality is often modeled in contemporary social science. In the absence of a future characterized by risk—that is, by a known, proper (or at least reasonably accurate and widely understood) underlying probability distribution—the rational actor becomes the rational muddler, who needs to draw on a larger bag of tricks. Again, this is not an inherently Keynesian position; Hayek and Knight (who vehemently disagreed with Keynes about most other things) shared this perspective. Similarly, in the context of uncertainty, classical realists tend to model states in the abstract as rational muddlers—essentially rational, purposeful, and motivated—but not as hyperrationalist automatons. Presented with a range of plausible policy options in an uncertain, contingent world, the choices states make will reflect the distinct historical experience, ideological context, and political contestations of the moment. Elites and decision makers will often guess, and fall back on personal experiences, conventional wisdom, and various rules of thumb to help steer themselves through the confusion. Only by attending to these factors can behavior in world politics be understood, and the range of likely outcomes productively anticipated.

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59 Keynes 1937, 122 (quote); see also 113–14 for a discussion of the importance of uncertainty, such as "the prospect of a European war" or "the rate of interest twenty years hence" or "the obsolescence of a new invention," matters where "there is no scientific basis on which to form any calculable probability whatsoever."

60 For a recent discussion of the essential and inescapable role of uncertainty—and, especially, of unknowables—see Taleb 2007; and the related commentaries by Ilyth 2009; and Jarvis 2009; see also Nelson and Krenzenstein 2014.

61 Knight 1971 [1921], 19; see also 233; Hayek 1945; and Keynes 1936, 156–8.


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