Smart Power: what it is, why it’s important, and the conditions for its effective use

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Introduction

The concept of soft power and its corollary smart power have generated great attention, not only in scholarly circles but in policy areas and popular dialogue on issues of power. Few scholarly concepts have made such an impact on the public and policymakers around the globe, especially those in the U.S. Both President Barrack Obama in a speech on foreign policy in the Middle East and North Africa and Hillary Clinton in her confirmation hearing as Secretary of State explicitly used the term in talking about an optimal foreign policy for the U.S. The scholarly attention to the concepts has risen conterminously. Yet with all this scholarly attention, the concepts have

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2 “Obama’s Speech” (2011) and Clinton 2009.

3 Nye introduced the concept of soft power in “Soft Power” (1990b) and Bound to Lead (1990a) and further applied and developed it in Nye (2002, 2003, 2004a, 2004b, 2007). He and Nossel have also been pioneers in developing the concept of smart power. The literature on soft and smart power has grown significantly over the past decade. Especially insightful treatments on soft power, both from a supportive and critical perspective, can be found in and Gallarotti (2004,
evolved little theoretically, and their historical applications have been limited and far from rigorously executed (being principally restricted to the analysis of contemporary U.S. foreign policy). In essence, the analyses of soft and smart power have developed little beyond what its critics would refer to as “soft theory,” and in both cases the theoretical development is less than “smart.” Furthermore, there has been insufficient attention to the how changes in world politics have affected the importance of smart power. Finally, little has been said about the decisionmaking conditions required for leaders to appreciate and effectively use smart power. This article attempts to offer contributions that address all three of these deficiencies: to articulate a more rigorous and systematic understanding of the processes of soft and smart power, to explain how changes in world politics have raised the value of smart power relative to hard power, and finally to propose several prescriptions that will encourage decisionmakers to appreciate and effectively use smart power strategies in their foreign policies.


The idea of “smart power” suggests that a foreign policy based on the combined use of both hard and soft power can yield superior results over one that relies exclusively on one or the other kinds of power. On smart power see, Nossel (2004), Report of the Center for Strategic and International Studies Commission on Smart Power (2007), Forman (2009) and Etheridge (2009). Gallarotti’s (2010b) Cosmopolitan power represents a theoretical development and historical application of the idea of smart power.
Understanding smart power is especially in our world today, a world that is both tumultuous in its outcomes and undergoing rapid changes at a pace never before experienced in history. The global system has changed rapidly and significantly. In fact, there has been a greater transformation in the lives of humans in the last 100 years than there has been in the preceding 12,000, since the rise of farming communities. We are presently caught in this break-neck wave of change. In a sense, the modern world system has placed us in an environment where everything is coming harder and faster. And with this speed and magnitude of outcomes, we are faced with ever greater threats and opportunities. This has created a far more “hazy power space” than has heretofore been embraced by scholars and decisionmakers (Beck 2005). National power has become transformed by these changes in ways that have made it far more difficult to gauge and consequently manage. This hazy power space requires new approaches to power and its changing role in world politics. Nations will still rely primarily on state power to confront these outcomes and changes, yet the study of international power is still quite underdeveloped relative to its importance in international politics (Baldwin 2002 and Berenskoetter 2007). The conventional visions of state power are poorly suited to understanding the modern cosmopolitan world system where there is a pronounced need for a more compatible or cosmopolitan theory of power in world politics (Gallarotti 2010b and Barnett and Duvall 2005, p. 40).

Greater attention to soft and smart power itself reflects the changing landscape of international relations. It is no coincidence that such sources of power have been embraced by Neoliberalism and Constructivism, paradigms that have underscored the changing nature of world politics. In this case, theory has been influenced by events. While history has shown soft power always to have been an important source of national influence (certainly the case studies
in hard and soft power do), changes in modern world politics have raised its utility all the more (Gallarotti 2010a and 2010b). Indeed the world has become and is continuing to evolve into a “softer and smarter world.” World politics in the modern age has been undergoing changes that have changed the potential for both soft and hard power in ways challenge leaders in their quest to optimize national influence. In this transformed international system, smart power will be a crucial element in enhancing influence over international outcomes because it has become more difficult to compel nations and non-state actors through the principal levers of hard power (i.e., threats and force). The world stage has become less amenable to instruments of hard power like force and threats, and more amenable to actors that are sensitized to the limitations of hard and the opportunities of soft power created by this new global environment.

In providing a more systematic and formal analysis of smart power, this article is divided into six sections. The first offers a systematic analysis of soft power. The second explains the growing importance of soft and smart power in modern world affairs, and concomitantly sheds light on the rationale for greater attention to the use soft and smart power in the modern world system. The third section offers a further and more systematic analysis of the relationship between hard and soft power. The fourth section presents a formal model of smart power. The fifth section proposes important decisionmaking conditions that are necessary for the effective employment of smart power policies. While the final section offers concluding remarks.

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4 In case studies on power seeking that span history and issue areas, Gallarotti (2010a and 2010b) demonstrates that a more perspicacious employment of smart power could have significantly enhanced the influence of nations whose leaders were predominantly swayed by the allure of hard power (i.e., victims of a hard power illusion).
1. What is Soft Power?

The traditional vision of power that has prevailed among scholars mirrors the historical theoretical dominance of Realists who have tended to espouse a hard concept of power, oriented around the idea of nations using “material resources” to achieve influence among nations (Barnett and Duvall 2005, p. 40 and Schmidt 2007). The visions of the leading contemporary Realists demonstrate this all too well. Among leading current Realists Mearsheimer (2001, p. 55) states that “power is based on the particular material capabilities that a state possesses.” These material capabilities are “tangible assets” that determine a nation’s “military” strength. Waltz (1979, p. 131) shows a similar hard disposition in defining power: “size of population and territory, resource endowment, economic capability, military strength, political stability and competence.” Indeed, Waltz (1979, p. 113) contents that “In international

5 Like Keohane and Nye (1989), this analysis will not make cumbersome distinctions between Realists and Neorealists.

6 Gallarotti (2010b) has, however, demonstrated that both the classical and more modern inspirations for contemporary Realists (Machiavelli, Hobbes, Thucydides, Carr and Morgenthau) in fact underscored the important role of soft power in their visions of politics and society.

7 For Realists, power also derives from some intangible sources: Waltz’ competence (i.e., leadership, policy, decisionmaking). Hence it is not tangibility that determines the principal distinction between soft and hard power. Realists would also embrace the utility of threat or
politics force serves, not only as the *ultima ratio*, but indeed as the first and constant one.”

Similarly, in his *War and Change in World Politics*, Gilpin (1981, p. 13) defines power as “the military, economic, and technological capabilities of states.” National influence in the final analysis is dependent on an industrial-military complex that can be used to threaten or marshal force. Ultimately it is this “muscle” that fundamentally determines a nation’s power. The emphasis falls on the tangible power lexicon that determines a nation’s capacities to employ force in pursuit of its goals.

This fundamental reliance on tangible power emanates from the purity of Realist interpretations of anarchy, which in their most fundamental forms derive from the conventional Realist interpretations of Hobbes’ account of the state of nature. The sacred catechism of Realist tenets about the behavior of nations that follow from the condition of anarchy, defined “as no common power above actors to keep them in awe,” leads actors to optimize tangible power resources (i.e., hard power) only because such resources are more certain to provide protection (whether it be defensive or offensive in nature). While even perceptions of power may reduce the vulnerability of an actor, they are no guarantee against victimization by force, nor are they guaranteed to be able to deter and/or compel actors to behave in ways that make one less vulnerable. Tangible power resources, both in their manifest and symbolic (i.e., threat) use, can be employed to repel acts of force, and they can be used to compel actors into submission. All other types of coercive posturing. But ultimately, these intangible measures rely on actual material capabilities to be effective, hence muscle is the key to power for Realists.

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8 For an alternative interpretation of Hobbes’ state of nature, one that suggests that Hobbes’ logic underscored the importance of soft power, see Gallarotti (2010b).
intangible, good will (i.e., soft) sources of power carry no such guarantees. They carry no guarantees that an act of aggression can either be confronted or perpetrated to eliminate a menacing actor.

While Realists have traditionally looked at a nation’s influence in the world as a function of these tangible and coercive sources of power (threat and force), Nye has highlighted the influence that derives from a more intangible and enlightened source: a positive image in world affairs that endears nations to other nations in the world polity. This positive image derives from a number of sources: the domestic and foreign policies that nations follow, the actions they undertake, and/or national qualities that are independent of specific policies or actions (e.g., such as culture). 9 This positive image generates respect and admiration, which in turn render nations that have soft power more endearing in the eyes of other nations. The endearment can be so strong that other nations may even attempt to emulate the policies and/or actions of soft power nations, domestic and/or foreign. 10 Endearment serves to enhance the influence of soft power

9 In some cases, the endearing qualities may emanate from hard power resources themselves: such as the admiration generated by great economic achievements or an extensive international presence. But the hard power would have to be used according to the liberal principles under girding the processes of soft power in order to qualify as a soft manifestation of the use of hard power.

10 There is no single word that effectively describes the foundation of soft power. I use “endearment” as a term that is most representative. The terms admiration and respect could be used instead, but they insufficiently capture the quality of being liked or esteemed (i.e., you can respect and admire a nation more than you esteem or like it); which are often foundations for soft
nations as other nations will more readily defer to their wishes on international issues, and conversely avoid confrontations. Hence, decisions about issues affecting the soft power nations will be bounded within a somewhat favorable range of options for the soft power nations.\footnote{11} In a similar vein, emulation creates a system of nations that are comporting themselves (actions, policies, goals) in a manner consistent with the interests of the role-model nations. In these ways, soft power ultimately configures the context within which other nations make decisions in ways that favor the interests soft power nations (i.e., meta-power, discussed below).\footnote{12}

\footnote{11} This does not mean that all the actions, qualities, and policies of soft power nations are necessarily endearing. In fact, other nations may dislike a number of qualities, actions and policies of a soft power nation. But the preponderance of such “output” by soft power nations should endear those nations to other nations in some form however it is distributed among respect, admiration, and esteem. For the purpose of elegance, I strive to use a broadly representative term such as endearment, rather than an extended checklist of terms.

\footnote{12} While such a vision recalls some of the categories of Weberian charismatic authority, soft power differs significantly from charisma. While soft power generates endearment, these qualities are not necessarily consistent with Weber’s vision of such authority, \textit{qua} an authority founded on perceptions of possessing “extraordinary,” “exceptional,” or “supernatural” qualities (1978, p. 242).

\footnote{12} This recalls Lasswell and Kaplan’s (1950, p. 156) process of “identification”: where rank and file members of a group adopt the values of their leaders out of respect and admiration. Even Realists argue that such an identification process can manifest itself in the emulation of successful military strategies and preferences for certain hard power resources (Waltz 1979).
The principal difference between hard and soft power can be understood in the following way: hard power *extracts* compliance principally through reliance on tangible power resources—more direct and often coercive methods (either their symbolic use through threat or actual use), soft power *cultivates* it through a variety of policies, qualities, and actions that endear nations to other nations—more indirect and non-coercive methods. In this respect, hard power exhibits a greater conflict of interests relative to soft power. Hard power contemplates nations compelling other nations to do what the latter would ordinarily not otherwise do (Dahl’s [1957] classic definition of power). Soft power, on the other hand, conditions the target nations to voluntarily do what soft power nations would like them to do, hence there is far less conflict of interests in the process of soft power.

Soft power represents a form of meta-power. Meta-power describes situations in which power relations themselves are embedded within some greater constellation of social relations that influence those relations and thereby influence final outcomes that derive from the interactions among actors (Hall 1997, p. 405). The structures of the bargaining boundaries are determined by the processes going on in the greater social relations within which they are embedded (i.e., endogenous rather than exogenous). Under conditions of meta-power, little can be inferred about the balance of power in a bargaining process merely by simply looking at the equilibria within the existing bargaining space. One actor may seem to be moving the other actor closer to his/her preferred position within the bargaining space without in fact enjoying much influence over the seemingly compliant actor. Since the preferences or objectives are endogenous, and therefore the result of some greater constellation of social relations, the bargaining space itself can be the outcome of some greater configuration of power that has set
possible equilibria in a range highly consistent with the interests or preferences of the seemingly compliant actor. Hence, even losing a struggle for immediate power within the prevailing bargaining space may in fact still be winning the bargaining game if some greater set of social relations can skew the bargaining space in favor of the compliant actor. This would be a case of losing a battle but winning the war.

The principal essence of the idea of soft power relates to the third face of power, as seen in the work of Lukes (1974) and Isaac (1987), insofar as it represents the manifestation of empowerment through the process of co-optation. Lukes’ (1974) idea of three-dimensional power, Isaac’s idea of structural power, and Nye’s idea of co-optation postulate that influence can be acquired if an actor is able to mold the preferences and interests of other actors so as to converge closer to its own preferences and interests. There is one fundamental difference however. The third image, or radical vision of meta-power, exudes a far greater conflict of interests among actors than does the idea of soft power. This is because the logic is inspired by the idea of Gramscian (1988) hegemony, which in turn develops Marx’s (1972) idea about the ideological legitimation of capitalism being driven by a false consciousness (i.e., actors are co-opted into actions that cut against their socio-economic interests).

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13 In this context, I stress the ideas of Lukes as formulated in the first edition of *Power: A Radical View* (1974). In the second edition, Lukes (2005), as will be noted below, has acknowledged possibilities of power relationships that abate conflicts of interests, and hence are closer to the idea of soft power.
Soft power generally eschews a strict conflict of interests. This can be clearly seen in Nye’s (2004b, p. 10) application of the idea in the context of Bretton Woods. His own interpretation of the Bretton Woods institutions differs sharply from the Neo-Marxist contemplation of such institutions as modes of capitalist hegemony, and as such Neo-Marxists see these institutions as the creators of a false consciousness among developing nations. This reflects a fundamental disjuncture from a Nyeian vision that sees liberal principles of economic relations as truly beneficial for all nations, hence socialization of less developed nations into the liberal-capitalist mode is not false consciousness but represents a true facilitator of their economic interests. Since both external observers such as scholars and national leaders themselves are able to come to the realization of the imperialist intent behind radical attempts at hegemony in some longer run, then not only would such radical hegemony not qualify as soft power, but would in fact diminish the soft power of the imperialist nations perpetrating such attempts at adversarial indoctrination. Hence, nations can rise above a sense of false consciousness, and consequently the process of radical hegemony compromises rather than creates soft power.14

It has become all too common to equate the concept of soft power with the influence emanating from the seductive cultural values created by media and fashion (Fraser 2003). Soft power is much more than that. Soft power can be systematically categorized as deriving from two general sources: international sources (foreign policies and actions) and domestic sources.

14 The New International Economic Order (NIEO), as a counter-hegemonic movement, demonstrated that developing nations are not easy victims of false consciousness (Gosovic and Ruggie 1976).
(domestic policies and actions), with multiple sub-sources within each. All of these sources ultimately contribute to a positive image that endears nations with soft power to other nations, which in turn enhances these soft power nations’ influence in world politics. Hence, the sources of soft power converge onto one process of empowerment. The policies and actions that deliver soft power are enumerated below and presented in Table 1.

Under international sources, first, nations must demonstrate a pronounced respect for international law, norms, and institutions. This commitment to “the rules” exudes dependability, sensitivity, legitimacy, and disposition against violence. This general commitment is the principal source of international soft power, as the sources that follow are more specific elements of this more general orientation.

In this respect nations must embrace a multilateral disposition and eschew a overly unilateralist posture in the promotion of their foreign policies. Disregarding multilateralism can be costly. Nations relying decreasingly on multilateral fora to respond to threats or problems alienate regime members and consequently risk the possibility of marginalization in those regimes, which in turn diminishes such fora as viable options in attending to foreign objectives. At worst, the fora themselves could increasingly function in ways that are adversarial. Similarly, respect for alliance commitments and treaties are crucial to the creation of soft power. As with the above two sources of soft power, forsaking erstwhile allies and international commitments in favor of unilateral solutions produces a maverick image that comprises traditional sources of power embedded in multilateral support networks. Furthermore, nations must be willing to sacrifice short-run particularistic interests in order to contribute toward substantive collaborative
schemes that address important multilateral problems. Consistent with international commitments and fair play, nations will garner considerable respect by foregoing short-run national objectives for the sake of the collective good. Finally, a nation must pursue policies of economic openness. This dictates a liberal foreign economic policy orientation. Free trade in goods and open capital markets represent a commitment to maintaining opportunities for economic growth in other nations. The greater this commitment, the more elevated will be the national image.

With respect to domestic sources of soft power, Nye notes (2004b, pp. 56,57), “How [a nation] behaves at home can enhance its image and perceived legitimacy, and that in turn can help advance its foreign policy objectives.” Domestic sources can be broadly categorized under two rubrics: the power inherent in culture and in political institutions. With respect to politics, institutions must be founded on strong principles of democratic agency. The political system must deliver democracy, pluralism, liberalism, and constitutionalism. Indeed, it will be oriented around the political empowerment of civil society and reducing political gaps (Huntington 1971).

Culturally, soft power is created by social cohesion, an elevated quality of life, freedom, abundant opportunities for individuals, tolerance, and the alluring characteristics of a lifestyle that garners great admiration and even emulation (Nye 2002, pps. 113,114,119,141). Numerous observers have underscored the power emanating from an admired culture, in these cases, that of the U.S. In some cases, cultural status can generate great soft power. Saudi Arabia would be a cultural power both as a global religious (Islam) and ethnic (Arab) center. Rome carries similar power as the religious center of Catholicism. (Klein 1999, Barnet and Cavanagh 1996, Sklair 1991, LeFeber 1999, and Gallarotti and Al Filali 2012).
Both domestic and international sources of soft power reflect an emphasis on policies and actions that exude an orientation of justice, collective concern, and rules of fair play. In this respect we clearly see pervasive principles of political liberalism at work in both sources.
Table 1. Foundations of Soft Power

<table>
<thead>
<tr>
<th>International Sources</th>
<th>Domestic Sources</th>
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<tr>
<td>Respect for international laws, norms, and institutions</td>
<td>Culture</td>
</tr>
<tr>
<td>Fundamental reliance on multilateralism, and disposition against excessive unilateralism</td>
<td>--Pronounced Social Cohesion</td>
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<tr>
<td>Respect international treaties and alliance commitments</td>
<td>--Elevated Quality of Life</td>
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<tr>
<td>Willingness to sacrifice short-run national interests in order to contribute toward the collective good</td>
<td>--Freedom</td>
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<tr>
<td>Liberal foreign economic policies</td>
<td>--Sufficient Opportunities</td>
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<tr>
<td></td>
<td>--Tolerance</td>
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<tr>
<td></td>
<td>--Alluring Lifestyle</td>
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<tr>
<td></td>
<td>--Cultural Status (religious, racial, ethnic)</td>
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<td></td>
<td>Political Institutions</td>
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<tr>
<td></td>
<td>--Democracy</td>
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<td></td>
<td>--Constitutionalism</td>
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<tr>
<td></td>
<td>--Liberalism/Pluralism</td>
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<tr>
<td></td>
<td>--A Well Functioning of Government</td>
</tr>
<tr>
<td></td>
<td>Bureaucracy</td>
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Formal Analysis of Soft power as Meta-Power

We can model soft empowerment within the context of a bargaining space. Figure 1 represents a bilateral bargaining space between nations M and N with several possible equilibrium points. This model represents an unembedded power (i.e., not meta-power) contest in which hard power (both actual and symbolic use) is solely responsible for determining the bargain outcomes or equilibria. National goals or objectives on the bargaining space are defined continuously over possible equilibria ranging from point M, representing nation M’s preferred outcome (i.e., that bargaining outcome completely consistent with M’s national goals—M’s point of bliss), to point N, representing nation N’s point of bliss. National goals or objectives are completely exogenous or given in this bargaining space and not shaped by any greater constellation of social relations and hence are static. Equilibria in this contest will converge toward consistency with some balance of resources and/or relational factors among the respective actors. Hence, E₃ would reflect an outcome strongly beneficial to nation N and antithetical to the interests of nation M: here nation N has a strong superiority in the relational balance of resources or influence. E₂ would show greater equality in the power contest, with an outcome that shows an equilibria that roughly divides the spoils among M and N. E₁ would be the antithesis of E₃, with nation M being the superior nation with respect to the relational balance of resources or influence, and therefore getting the lion’s share of the spoils in the bargaining contest. This bargaining space could also be conceptualized as a conflict or competitive space in which nations vie to pull other nations

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¹⁵ For simplicity, we assume a one dimensional bargaining space, but this depiction of bargaining need not preclude mutual gains under assumptions of soft power. as will be demonstrated below.
toward their preferences. The greater the space between points of bliss, the greater the possibilities toward confrontational, and hence unstable, outcomes.

Figure 2 represent embedded power or meta-power contests. In these representations, nation N enjoys the benefits of soft power. Now national goals are endogenous in that they are embedded in a greater constellation of social relations, hence are configured by this greater constellation. In Figure 2 if nation N’s soft power over M brings the latter’s point of bliss (new point of bliss for M being $M_1$) closer to its point of bliss at N, then bargaining outcomes will fall in a range that is closer to the objectives of nation N. In Figure 2 the new space is $M_1-N$, represents a greater bargaining set for N since all possible outcomes fall in a range closer to its original point of bliss. The new space also represents a contraction of the conflict space, hence rendering greater stability in the relations between the two nations since each has far less space to push the other nation in an adverse direction with respect to its interests. If N enjoyed even more soft power over M then it might create an even more favorable space for N (and of course decrease the range of conflict space) in the form of new bargaining space $M_2-N$.\(^\text{16}\) Aside from

\(^{16}\)This should not suggest a conflict of interests in the shifting of national goals as a result of soft power. Adapting the goals of the role-model nations may in fact work better in terms of the objective national interests of the nation that has shifted its goals. Nations adopting the objectives and goals of others should tend to benefit from those adoptions. There will not be a false consciousness at work in the long run as nations can clearly ascertain what is in their best interest. Even so, in the bargaining space, even without false consciousness, some conflict of interests still remains among nations as their points of bliss are not the same. Hence, soft power diminishes conflicts of interests, it does not purge them completely. And this is consistent with the mixed-game orientation of Neoliberal visions that embrace processes of soft power.
manifesting itself in an endogenous manner (a shifting of the goals of nation M), soft power can manifest itself in an exogenous manner through deference. In this case, given the new bargaining space, N can make additional gains by shifting the equilibrium closer to its point of bliss through M’s accommodations within the prevailing bargaining space. This would be represented in Figure 2 by a shift from equilibrium E₂ to E₃. In this case, N has enjoys a compound benefit of soft power: not only did the bargaining space shift in its favor, but the bargaining equilibrium within that space also shifted closer to N’s point of bliss.

We could also envision a situation of mutual gain within an endogenous process. Let us assume that with the introduction of soft power we move from some previous state of E₁ in Figure 1 to E₂ in Figure 2. In this case, under the new structure of objectives (M₁-N) both parties would have made gains from their previous state in Figure 1, as the new equilibrium is now closer to both points of bliss. We could also envision a case of a bilateral manifestation of soft power, where both nations enjoy some of the benefits of soft power. This is depicted by a mutual movement of points of bliss, with the new bargaining space being M₂-N₂. In this latter case the restriction of the conflict or bargaining space is maximal since both nations are shifting their goals and objectives toward one another, signaling a diminution in potential disagreements among the nations. Consequently, bilateral soft power manifestations are the most stabilizing.

**Figure 1**

<table>
<thead>
<tr>
<th>M</th>
<th>E₁</th>
<th>E₂</th>
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2. The Growing Importance of Smart Power

Other paradigms (Neoliberalism and Constructivism) have arisen to challenge the scholarly primacy of Realism, and concomitantly introduced alternative vision of power oriented more around soft than hard power. It is no surprise that such alternative visions have been nurtured in an historical breeding ground that has seen a transformation of international politics, a transformation that has augmented the utility of soft power. A number of changes in world politics stand out as especially transformative forces elevating the utility of soft power relative to hard power, and hence have made the idea of an optimal diversification among soft and hard power as a means to maximizing national influence.

First, the costs of using or even threatening force among nuclear powers have skyrocketed. Indeed, current leading scholarship in the field of security has proclaimed that the nuclear revolution has been instrumental in creating a new age of a “security community,” in which war between major powers is almost unthinkable because the costs of war have become too great (Jervis 1988, 1993, 2002). Mueller (1988) reinforces and modifies the nuclear
deterrent argument by introducing the independent deterrent of conventional war in an age of advanced technology. In short, the utility of respect, admiration and cooperation (i.e., soft power) has increased relative to the utility of coercion with respect to the usefulness of the instruments of statecraft. Moreover, the exorbitant dangers that the hard resources of military technology have produced require far greater use of the instruments of soft power in order for nations to achieve sustainable security in the long run.

Second, the growth of democracy in the world system has served to compound the disutility of coercion and force as the actors bearing the greatest burden of such coercion and force (the people) have political power over decisionmakers. In this respect, the process of democratic peace has altered power relations among nations (Doyle 1997, Russett and Oneal 2001, and Ray 1995). As individuals become politically empowered, they can generate strong impediments to the use of force and coercion. But even beyond the enfranchisement effect, democratic cultural naturally drives national leaders towards the liberal principles manifest in the cannons of soft power. Hence, national leaders are much more constrained to work within softer foreign policy boundaries, boundaries that limit the use of force, threat and bribery. Rather, outcomes are engineered through policies more consistent with liberal democratic legitimacy.

Third, the diminishing utility of hard power is partly the result of a specific political, social and economic context created by modernization: that context is interdependence (Herz 1957, Osgood and Tucker 1967, Keohane and Nye 1989, and Nye 2004a). Using sticks, or whatever kinds of coercive methods, generate considerable costs in an interdependent world. Indeed in such an interpenetrated world, punishing or threatening other nations is tantamount to
self-punishment. In such an environment strategies for optimizing national wealth and influence have shifted from force and coercion to cooperation. But even more elusive than the quest to limit the fallout from coercion and force in such an environment, is the quest to impose some specific outcomes onto targeted actors. In an interpenetrated world, targeted actors have many more avenues of escape. Transnational actors and national leaders could avoid being compelled by carrots or sticks because of their free reign and access to the international political economy. They can merely escape coercion or buy-offs by taking refuge in numerous possible international havens. In one important respect, this modern day “economic feudalism” created by interdependence is shifting the nexus of power from the territorial state to transnational networks (Nye 2002, p. 75).

Globalization has strongly compounded the effects of interdependence by enhancing the process of social and economic interpenetration in the international system. The global age has given civil societies the capacity to receive and transmit information, as well as move across nations with ever greater speed and magnitude. These greater links compound the interdependence among networks containing both transnational actors and national governments. As the international stakes of these transnational actors grow, so do their incentives to expend political capital within their own domestic political systems to reinforce the economic ties between their nations (Milner 1988). This enhanced access to foreign governments and citizens created by globalization also compounds the effects of democratization in creating political impediments to the use of hard power (Haskel 1980). These forces have both diminished possibilities of political conflict and have thus shifted the epicenter of competition away from force, threat, and bribery (Rosecrance 1999 and Nye 2004b, p. 31).
Fourth, social and political changes have made modern populations more sensitive to their economic fates, and consequently far less enamored of a “warrior ethic” (Jervis 2002 and Nye 2004b, p. 19). This “prosperous society” has compounded the influence of economics and made economic interdependence that much more compelling as a constraint to the utility of hard power. With the rise of this welfare/economic orientation and the spread of democracy, national leaders have been driven more by the economic imperative and less by foreign adventurism as a source of political survival (Gallarotti 2000 and Ruggie 1983). This prosperous society, through the political vehicle of democracy, has shifted not only domestic but also foreign policy orientations. The economic welfare concern has put a premium on cooperation that can deliver economic growth and employment, and worked against hard power policies that might undercut such goals.

Finally, the growth of international organization and regimes in the post-war period has embedded nations more firmly in networks of cooperation: in effect nations are increasingly functioning in a world of law and norms. In such a world, unilateral actions that disregard these institutions become far more costly. Such institutions have effectively raised the minimum level of civil behavior in international politics, and consequently raised the importance of soft power significantly. Consequently, the networks of cooperation have made nations far less likely to extract compliance in what are considered illegitimate ways, i.e., through force, coercion, or bribery (Krasner 1983 and Keohane and Nye 1989).
3. A More Systematic Analysis on the Relationship between Soft and Hard Power

While the literature on soft and smart power has grown significantly, still there is a dearth of systematic analysis of the interactional composition of smart power, i.e., how hard and soft relate to one another and interact. The relationship between hard and soft power is more complicated than the conventional vision of extraction through tangible resources versus cultivation through intangible resources. Their relationship is more complex and interactive. The two are neither perfect substitutes nor are they rigid complements. Often, they can actually reinforce one another. In fact, it will often be the case that each set of power resources require at least some of the other for maximum effectiveness (i.e., Cosmopolitan power, discussed below). Hence the often function as complementary. Certainly, a strong positive image can garner many more security commitments, which in turn can bolster a nation’s defenses. And of course, wars of liberation will certainly garner a better image for the protector state. Gilpin (2002), for example, sees much of America’s soft power after World War II being bolstered by a Pax American founded on American military might. Furthermore, the possession of hard power itself can make a nation a role model in a variety of way. For example, large military arsenals and successful military strategies can generate significant soft power by enhancing respect and
admiration (Waltz 1979). But these hard power resources cannot be used in ways that undermine that respect and admiration. In other words, they cannot be used in ways that deviate from the politically liberal principles under girding soft power (see Table 1). So even the employment of force can generate soft power if it is used in the service of goals widely perceived as consistent with such principles such as protecting nations against aggression, peacekeeping, or liberation against tyranny.

As much as each kind of power can reinforce the other, it is also the case, of course, that the use of one kind of power may also undermine the other. Hard power carries obvious disadvantages for image if it is manifest in an aggressive-unilateralist style: invasion, imperialism, economic sanctions, and threats. But actions that enhance soft power can be perhaps even equally costly in terms of sacrificing hard power. This is the position that many American unilateralists take in their distaste for the entangling limitations on individual actions created by international agreements: e.g., global warming agreements will stunt American economic growth, Law of the Sea will limit access to important resources, the ICC may compromise the effectiveness of military operations overseas.

Moreover, the separation of the two types of power resources can be somewhat arbitrary and imperfect categorically. Giving international aid for example may enhance a nation’s image, but may also provide liquidity to purchase donor exports or to pay back debts to banks in donor nations. Here, a single instrument generates both hard and soft power. Similarly, the use of

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17 Gallarotti (2010b) demonstrates a number of historical cases in which economic hard power was an important source of emulation.
aggressive military force can generate a positive image with nations who are benefiting from such an initiative: e.g., liberating Kuwait and protecting Saudi Arabia during the Gulf War (another dual effect in the use of a single-power resource). Moreover, the exercise of each of the kinds of power resources has complex consequences within its own specific context. The use of hard power resources can in fact diminish the hard power position of a nation in various ways. For example, military atrocities may stiffen resistance in a manner that weakens an aggressor nation if the victims either grow to hate the aggressor or sense that such atrocities can be tolerated. Also, the use of threats that are never carried out may diminish the influence of the nation issuing such treats. Similarly, the use of soft power resources may also adversely affect a nation’s image no matter how innocuous the resources. A clear example is the contempt that many hold for international development organizations (IMF, World Bank) because they see such institutions as promoting neo-imperialistic economic relations between North and South. In a related example, while many embrace the values of Western culture, others see them as a source of cultural imperialism and contamination.  

Another interesting interaction effect among the two kinds of power is that the use of one set of resources may either economize on or enhance the need for another set of resources. A positive image may create outcomes within such favorable boundaries for a nation that it actually reduces its need to use hard resources (i.e., carrots and sticks) in order to gain compliance on important issues. For example, a reputation for loyalty may attract more allies whose own loyalty can vitiate the need to expend hard resources in order to achieve one’s foreign policy goals.

18 Reflective of this view are national laws that limit the foreign content of media transmissions. On cultural imperialism, see Sklair (1995) and LeFeber (1999).
Moreover, accepting restraints on one’s unilateral actions through ratifying a treaty may not adversely affect relative hard-power positions if such an action fosters similar restraints by other nations, as would be the case with an arms reduction treaty. Hence, a reduction of hard power has been compensated by a soft effect: others have accepted similar reductions. However, intransigence to multilateralism may in fact reduce one’s hard power position even though it frees that nation from restraint. Such would occur if reactions to such intransigence resulted in a more antagonistic international system. In such cases, the intransigent nation would have to compensate in other ways (both hard and soft) to restore its former position of influence (Nye 2002, pp. 9, 10 and 2004b, pp. 25-27).

It should be noted that although there is a tendency to equate hard power with tangible resources and soft power with intangible resources, their principal distinction does not depend on tangibility. Even for Nye (2002, p. 8 and 2004b, p. 5), whose language highlights a distinction between tangible resources and intangible resources, tangibility is not a strict source of differentiation among the two categories. Nye’s own logic would allow for intangible applications of hard power. For example, a threat is intangible, but a threat forces a mode of action onto another nation involuntarily, thus violating liberal rules of fair play (Baldwin 2002). Furthermore, a large military force can generate attraction effects through “perceptions of invincibility” (Nye 2004b, p. 26). Nations may show deference and even admiration because

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19 Indeed, critics of soft power underscore a problematic distinction between hard and soft power based on tangibility. See Baldwin (2002) and Meade (2004).
they want to be associated with a winner. Conversely, soft power can be enhanced through the use of tangible resources, as tangible resources may be necessary to institute the policies and actions that deliver soft power.

But ultimately, as interconnected as the two sources of power are, and thus could share many qualities (like tangibility and intangibility, international effects, etc.), the real differentiation of power is in the context of its use. In order to effect soft power, the context of actions (whether tangible or intangible) must be a manifestation of politically liberal principles (see Table 1). In this vein, hard power itself can be used in a manner that engenders the respect and admiration of other nations if it manifests itself in actions consistent with these principles (e.g., peacekeeping, protecting against aggression or genocide, or providing economic aid on terms favorable to recipient nations). Hard power, of course, will fail or be counterproductive in enhancing influence when it is used illiberally. There is no inherent incrimination of hard power as necessarily evil. Ultimately, tangible resources can deliver both hard and soft power. But tangible resources are merely instruments and are no better or worse than the manner in which they are used.

Another example of the soft power generated by an extensive military presence would highlight the good will promoted by American civil-military functions abroad: education, political stabilization, provision of public goods.

Let us assume that nations wish to optimize influence through some investment in power resources. Assume that they can employ two kinds of resources: hard (HP) and soft (SP). These can be thought of as factors in the production of international influence and depicted as isoquant curves $I_1 \ldots I_4$ (see Figure 3). The curves represent all combinations of HP and SP, hence $f(HP, SP)$. The curves are convex over the factors of production thus suggesting the standard diminishing marginal productivity in factors of production, hence the convexity of the isoquants with respect to the origin. This is consistent with the depiction of standard returns to the application of power resources in the IR literature on power, as it is posited that at the extremes (i.e., where nations are predominantly relying on one set of power resources) nations will find they do not lose influence by substituting significant amounts of the prevalent resources for the lesser-used resources.\(^{21}\) Movement along any isoquant represents the same level of influence at differing combinations of power resources, or the marginal rate of substitution among inputs $dSP/dHP$, alternatively the marginal rate of technical substitution. Higher levels of influence are attained as one moves out from the origin to higher isoquant curves. The full amount of

\(^{21}\) This is depicted by a flattening of the curves as we move away from the origin, which suggests that progressively greater amounts of the prevalent resource will have to be added in substitution for the less abundant resource in order to maintain the same level of influence.
resources that a nation may bring to bear on investing in influence can be depicted by a standard isocost budget constraint, also defined as \( f(HP, SP) \) with standard slope \(- \frac{P_{HP}}{P_{SP}}\).\textsuperscript{22} It represents all combinations of hard and soft power that can be purchased by a nation given their prices \( P_{HP} \) and \( P_{SP} \). The constraint \( B_2 \) represents a larger budget than \( B_1 \) and therefore makes higher levels of influence attainable. Hence, output can be defined as,

\[
1) \quad P_{HP}HP + P_{SP}SP
\]

It will therefore be the goal of a nation to choose some mix of power inputs so as to attain an equilibrium at the highest possible influence isoquant, given their budget, which is at

\textsuperscript{22} The standard assumption of a constant marginal rate of substitution in expenditures among inputs is generally reasonable and useful. But as noted above, in the case of power such may not always be the case. Investments in one kind of resource may increase the other kind of power, as when the cultivation of good will helps to secure military bases. It is useful however to view the decision between resources as a choice, especially given the fact that so many investments in one kind of power are usually at the expense of gains in other kinds of resources. Certainly, the literature on power emphasizes this point.
the point where the ratio of prices of the two power inputs should be equal to the marginal rate of substitution defined by the isoquants, so in general

\[ \frac{P_{HP}}{P_{SP}} = \frac{MP_{HP}}{MP_{SP}} \]

which leads to general equilibrium condition

\[ \frac{MP_S}{P_S} = \frac{MP_D}{P_D} = \ldots = \frac{MP_U}{P_U} \]

where S, D, and U are inputs. Hence in this particular case, optimization at point C is attained at power output

\[ \frac{MP_{HP}}{P_{HP}} = \frac{MP_{SP}}{P_{SP}} \]
Given standard isoquant functions, the benefits of diversification are fairly compelling. Where there is complete specialization in either kind of resource, the levels of influence would be lower (as is clear in corner solutions A and F in Figure 3). At the hard power extreme, a nation that completely disdains cooperation and uses coercive unilateral means to extract compliance to its wishes will likely generate the image of a pariah, which in turn will generate much hostility and countervailing responses in the community of nations. Nations will resist it to the greatest possible extent, which means all of its gains will have to be directly extracted against the wishes of other nations. Moreover it will be excluded from many multilateral arrangement designed to generate benefits for its members. Hence, any movement on the budget line A-F from inside optimal point C to point F would constitute hard disempowerment in that higher levels of influence have been foregone because of excessive reliance on hard power (i.e., the nation has in fact weakened itself). Choosing to stay at point F would constitute hard disempowerment in terms of opportunities for greater influence that are being foregone, and hence opportunity costs are very high.

Conversely, nations at the soft power extreme will be paper tigers that are incapable of compelling other nations through unilateral means. While such saintly states are generally respected and venerated, they only have limited means with which to attain their goals in world politics. They may in fact not even be able to defend themselves. This would be considered a case of soft disempowerment: weakening oneself from pursuing strategies that are excessively reliant on soft power only. This would be represented by movement from any point from optimal point C to point A.
Some diversification from the corner solutions makes higher levels attainable. A movement from point A to point B the saintly state has adapted some hard power resources in its foreign policy, and while it is still well respected it now has some muscle with which it can use to attain some outcomes that were heretofore impossible, especially with respect to hostile nations (i.e., its enemies can no longer act with impunity). This is represented by a movement from a lower to a higher influence curve (from $I_1$ to $I_2$). Similarly, in contemplating a movement from point F to point E, the pariah state will benefit from an improved image as other nations will not be as resistant to its interests and goals, thereby increasing its influence (i.e., enjoy soft empowerment). But in this case, the nation has retained sufficient muscle to compel other nations if it has to. This is also represented by a movement from a lower to a higher influence curve (from $I_1$ to $I_2$). Optimal influence given budget $B_1$ would be attainable at point C on curve $I_3$, which in Figure 3 suggests a roughly equal distribution of hard and soft power resources.\footnote{Perfectly equitable diversification need not be an optimal equilibrium, much depends on the shape of the budget and influence curves, as will become clear.}

Optimal equilibrium is dependent on the structure of the budget and influence functions. With respect to the budget, a greater endowment of resources would naturally make higher levels of influence attainable. A nation with budget constraint $B_2$ could attain higher levels of influence (optimal equilibrium at point G) than could a nation with a constraint of $B_1$. At point G a nation has the significantly more of both kinds of resources, hence can attain far greater influence than a nation limited to point C. Of course, optimality may shift according to the relative prices of the resources. If for example soft power resources become cheaper relative to hard power resources,
we would see a clockwise rotation of the budget line, $B_1$ to $B_2$ in Figure 4. What was an optimal equilibrium at point C is no longer attainable given the new relative prices. Maintaining the same ratio of resources would lead to lower levels of influence at point E (a lower influence curve). The new optimal equilibrium would be at point B.\textsuperscript{24} The logic is fairly straightforward: as one kind of resource has become relatively cheaper, a nation will tend to substitute it for the more expensive resource given a fixed budget.

The structure of influence is essentially a reflection of the marginal rate of substitution between resources, which in turn represents relative productivity among the resources. In Figure 4, two kinds of structures are depicted in influence curves $I_1$…$I_6$. $I_1$…$I_3$ represent a structure of marginal substitution that favors hard power resources. The steeper curves depict a situation where progressively larger amounts of soft power resources have to compensate the loss of any given level of hard power resources. This suggests the greater productivity of hard power relative to soft power resources as the incremental addition of very few hard power resources can make up for the loss of far more soft power resources. Conversely, influence curves $I_4$…$I_6$ suggest far greater relative productivity in soft power resources. The flatter curves suggest that a few soft power resources can do the work of far more hard power resources. The differing equilibria generated by the differing productivity structures are predictable. Where hard power resources are far more productive, you would expect a composition heavily weighed in their favor (at point D). The converse will be true when soft power resources are more productive (point A).

\textsuperscript{24} While influence remained the same in this example (moved along $I_7$), such need not be the case, as the income effects of a relative price change may well make higher influence curves attainable.
Interestingly, if one differentiates perceptions from reality, it is possible to deduce quite a complex set of functions: both budget and influence. For example, nations may misperceive the level of their endowments and continue to attain sub-optimal levels of influence. Conversely, nations that perceive an inflated level of resources may be consistently frustrated from attaining only modest influence. Nations will attain differing baskets of resources depending on how they view international politics. Nations that believe hard power resources to be relatively more expensive may favor soft power in their foreign relations. Similarly, nations will be all the more favorable to soft power resources if such resources are considered to be relatively more productive as well. Conversely, nations will opt for hard over soft power if the latter is perceived to be relatively more costly and/or less productive. Realists, for example, would feature a perception of influence that is depicted by influence curves $I_1 \ldots I_3$ in Figure 4. Consequently a Realist basket will be predominantly comprised of hard power resources (at point D), as they believe such resources to be more valuable in attaining essential goals in international politics. Constructivists and Neoliberals will feature perceptions more consistent with $I_4 \ldots I_6$, with an equilibrium somewhat more favorable to soft power resources relative to Realists (at point A). In sum, nations will favor one set of resources to the extent that they perceive those resources to be relatively more productive and relatively less costly. But even with perceptions that can differ widely, corner solutions will be rare (i.e., some diversification will always be desired), as we would not expect the most extreme perceptions of either a cooperative or conflict-ridden world to manifest themselves often among national leaders and/or societies.
Factoring risk into the model, we compute an investment function that is defined by diversification among investments that differ in risk and whose returns are uncorrelated. In this case, returns to hard and soft power would have to be uncorrelated and the variability of returns (the standard measurement of risk in investment instruments) from each type of resource would have to differ. In the case of correlation among the returns, there is no reason to suspect that returns will in fact vary identically in the same direction. The reason for this is that the source of compulsion is different. There is no reason to think that a positive image will generate precisely similar outcomes, with respect to encouraging nations to comply to your wishes, to those that might be engendered by a force, threats, or bribery. It is, however, reasonable to posit that returns from the activation of hard power resources have the potential of generating higher returns than those of soft power resources in the short run. Such a property derives from the nature of the power resources. Hard power resources are far more stark and menacing in nature, and thus create greater urgency to comply. A threat of military force or economic sanctions can encourage both a higher level of compliance as well as more timely compliance than can, for example, some diplomatic plea from a nation that traditionally shuns the use of force. Non-compliance or limited compliance will, in the short run, be devastating in the first instance, but
not in the second instance. Hence, there would appear to be a bias in favor of more moderated short-run compliance to soft power activation (hence lower returns in the short run).\textsuperscript{25}

It is also in the nature of hard power to create greater variability in returns than would soft power.\textsuperscript{26} Again, threat of force or economic sanction can, if sufficiently menacing, generate some excessive amount of compliance from the threatened nation (i.e., very high returns in terms of influence). However, such extreme reliance on force or economic warfare may also engender great animosity, which may in fact lead to retaliation in kind. Moreover, the more widespread and extreme are the initial strong-armed tactics, the greater might be the reaction to those tactics (e.g., the target nation retaliates to a greater extent and others join in the retaliation). Even in the case of hard power activation that does not have such martial properties, there is the potential for greater variability in the reaction of target nations. In the case of economic agreements that promote trade or investment, or even foreign aid initiatives, the returns to such carrots can be very high (e.g., open markets, secure alliances, maintain strategic strongholds), but reactions can also be extremely adverse, thus seriously compromising influence over target nations (anti-imperialist sentiments that lead to terrorism against the donor nation). Returns to soft power activation will likely be lower but more consistent in the short run. A positive image and diplomatic virtue will neither engender the extreme urgency conducive to excessive compliance,

\textsuperscript{25} In the long run, however, things may change. Continued use of strong-armed tactics may so alienate other nations so that they become increasingly adversarial, thus producing an international system that is less desirable for the aggressor nation.

\textsuperscript{26} Traditional measures of risk are calculated in terms of variability, most commonly the standard deviation of returns.
nor will it engender adverse reactions conducive to excessive vituperation. Target nations that care about their own image will likely comply to some extent (thus rendering positive influence for the sender nation), but such compliance will likely be limited by the target nations’ own particularistic goals. In sum, the idea of hard power exhibiting higher returns with greater risk, and soft power featuring lower returns with lower risk, seems plausible.

Since the structure of returns and risk among hard and soft power exhibit such properties (differing and uncorrelated returns, and differing levels of risk), it renders an ideal setting for diversification. Let us model such a situation with hard and soft power resources being represented as assets or investment instruments (see Table 2). Asset S (soft power resource) represents an asset that has a relatively modest return as well as modest level of risk (2% and 4% respectively). Asset H (hard power resource) generates a higher return subject to greater variability (4% and 10% respectively). The risk/return profiles of these assets is therefore

Of course, one can argue that excessive reliance on soft power may make a nation susceptible to such things as pre-emptive military strikes, and hence produce significant risk. This suggests an incentive to diversify sufficiently toward hard power to the extent that such strikes would be deterred. Once a nation has established such a safety net, then it is not unreasonable to assume that nations value the achievement of their foreign policy goals without excessive swings in the nature of the outcomes (i.e., want to avoid a roller coaster of variability in such outcomes).

Returns represent mean returns over some period of time. Given the logic above, we posit some short-run time period. Risk is merely a reflection of the variation of returns across the sub-periods that comprise the return horizon and can be conveyed by the standard deviation of returns.
consistent with a profile representing hard and soft power, and consequently manifest the benefits of diversification.

Let us use just these two assets in constructing a portfolio. Such a portfolio can vary continuously between one comprised entirely of asset S (in which case portfolio risk and return will be precisely that of asset S—point A in Figure 5) to one that is comprised entirely of asset H (which would feature a portfolio risk/return equal to that of H—point E). A risk/return frontier can be mapped out between these two points by varying the composition of the portfolio between these two extremes. Referring back to the production model above, this frontier is a mapping of all possible equilibrium points on the production budget line $B_i$ such that $dB_i = dI_j$ given differing factor composition preferences that now endogenize risk. In this respect, simple points of production on the production possibility frontier have been converted into risk adjusted returns (a function of the best possible risk-return combinations). Function AE in Figure 8 represents just such a mapping. Included are indifference functions over returns ($I_1, I_2$) that also endogenize risk. They progress directly northwest, which suggests conventional investment preferences that favor higher returns with lower risks. A somewhat more risk-neutral investor might exhibit preference structure $I_3$, which suggests greater tolerance of risk for a higher return.

The portfolio return (PR) is computed as follows,

5) \[ PR = W_s R_s + W_H R_H \]
where $W$ represents the respective weight of each asset in the portfolio (varying between 0% and 100%), and $R$ represents the return of the respective asset. The level of portfolio risk is computed by equation 2 where $P(K)$ is the total portfolio risk, $W$ represents the respective weights of the assets in the portfolio, $K$ is the respective level of risk for each individual asset, and $C_{SH}$ is a measure of the correlation between the returns of respective assets (in these estimates assumed to be .1).

$$6) \quad P(K) = \sqrt{W_s^2 K_s^2 + W_h^2 K_h^2 + 2W_s W_h C_{SH} K_s K_h}$$

Inspecting the risk/return possibilities presented by diversification, we can see that over some range departing from a portfolio exclusively composed of soft power, from point A to point B, diversifying can actually create a win/win situation in that a higher return can be achieved without hardly raising the level of risk. From that point on (from points B to E), investors would face the more conventional choice between trading off risk for return. But from the other extreme, a portfolio comprised exclusively of hard power, significant risk can be averted merely by sacrificing a modest increment of return. In Figure 8, for example, sacrificing 1% in returns can reduce risk by 4.19% (from point E to point C). In relative terms, such a diversification would cut risk by about half only at the cost of sacrificing a quarter of the returns. Hence,
disproportionate risk can be eliminated through diversification away from a high risk option (point E). Two equilibria are modeled here: equilibrium at point C represents that of an investor with conventional risk preferences, while equilibrium at D represents an investor that is more risk averse. Optimization is achieved at

\[ dI = dRR \]

where I represents a function of investor preferences and RR is the risk/return frontier. With respect to the mapping of this investment equilibrium over a production equilibrium (modeled above), a final general equilibrium is defined by fulfillment of conditions in equations 3 and 7, or

\[ \frac{MP_S}{P_S} = \frac{MP_D}{P_D} \ldots \ldots \frac{MP_U}{P_U} \text{ at } dI = dRR \]
Figure 5

[Graph showing a risk-return trade-off with points A, B, C, D, E, and labeled segments I₁, I₂, and I₃.]
Table 2

<table>
<thead>
<tr>
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<th>Return</th>
<th>Risk</th>
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<tr>
<td>Asset S</td>
<td>2%</td>
<td>4%</td>
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<tr>
<td>Asset H</td>
<td>4%</td>
<td>10%</td>
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Prescriptions for Instituting Strategies of Soft Power

Even under an acknowledgement that smart power can promote the optimization of national influence and security, harnessing the benefits of smart power will depend on decisionmakers’ abilities to appreciate and exploit the benefits of diversification among hard and soft power. Decisionmakers will have to be especially perspicacious in evaluating and monitoring their portfolios of power in order to fully integrate soft power into their foreign policies. History has shown that decisionmakers have in fact been hesitant to employ soft power strategies even in the face of devastating failures when over-relying on hard power strategies (Gallarotti 2010a and 2010b). To this purpose, several decisionmaking strategies will be crucial. But such strategies will be especially challenging because of common psychological tendencies and cognitive limitations among humans. Hence, decisionmakers will have to be especially vigilant and enlightened in the ways they assess and monitor national influence if they are to enjoy the benefits of smart power.

Strategy 1. Theories of power must be continually questioned and power audits continually undertaken with significant sensitivity to the changing face of power in world politics. This would mean constantly assessing and reassessing the effectiveness of a nation’s principal sources of influence in world affairs. This is especially important in finding an optimal mix of resources to maximize a nation’s influence because the diversification among more power sources necessitates more extensive management, just like investments in a greater number of assets requires more attention as the investment mix grows. Sources that perform poorly need to
be re-evaluated, and possibly reconfigured or eliminated; while sources that perform well should be enhanced. Moreover, national leaders need to clearly ascertain changes in world politics and how these changes affect the risks and returns generated by differing sources of power. Changes may, in fact, cause leaders to conceptualize and rely on completely new sources of power heretofore neglected as important wedges of influence in world politics. Continuous auditing will also be a necessary vehicle for appreciating alternative power resources often neglected by conventional visions of power that are overly reliant on hard power. Such a strategy is necessary for placing decisionmakers in a position avoid the natural pitfalls of overreliance of hard power. This is because hard power resources can exude a hypnotic allure. They are easy to count, given the fact that they tend to be largely tangible. Moreover, a large arsenal of such tangible resources can create a kind of moral hazard effect: large stores of tangible resources may make decisionmakers perceive limited vulnerability, hence they may be lax in pursuing important soft power strategies that would create an optimal smart power mix.

As important as this strategy will be to the optimization of national influence, it will prove difficult to realize because it is inconsistent with common tendencies of human psychology and cognitive limitations. People are quite hesitant to spill the apple cart on pre-existing beliefs and theories. In this respect people tend to be cognitively rigid: they think paradigmatically. Consequently, theories or paradigms that people use to understand the world are fairly stable and compelling. Moreover, it is uncommon for people to do frequent empirical tests of their theories and critically scrutinize facts that support or disconfirm their theories (Jervis 1976). There are also the rigidities created by bureaucratic drag: strategies that require broad consensus and long time-lines in implementation are very difficult to alter, even if
decisionmakers find superior alternatives Halperin and Clapp (2006). Hence, while such strategies will be essential to optimizing national influence and attaining security, they will prove challenging; and hence will call on leaders to be especially committed, vigilant, pro-active and highly perspicacious.

**Strategy 2: Decisionmakers must consider the manifold consequences of power-enhancing strategies.** This prescription pertains especially to the problem of complexity in international politics and suggests extensive perspicacity in clearly ascertaining the manifold consequences of national actions. Because international politics comprises a complex system, relations among nations are neither simple, linear, predictable, nor exogenous. Feedback and indirect effects are pervasive, and such effects generate manifold consequences for any action or policy (Jervis 1997). In this context, power is neither exercised nor accumulated in a vacuum. Power-seeking behavior is always endogenous, and as such generates manifold consequences that feed back onto the original actions and ultimately alter the conditions within which these actions unfold. Often such consequences can create self-defeating or counter-productive outcomes with respect to national influence. Policies intended to enhance influence, in fact, can often have the opposite effect and compromise a nation’s influence. The counter-productive outcomes that emanate from over-reliance on hard power are a direct manifestation of such complex processes (Gallarotti 2010a and 2010b).

Complexity has especially important consequences for smart power. Many of the benefits of soft power are in fact indirect and longer term: two signature characteristics of
complexity. This in turn makes the benefits of such soft power that much more difficult to ascertain and evaluate. But such benefits are pervasive. Hence, soft empowerment strategies require more thorough evaluation and a pronounced commitment on the part of decisionmakers to fully scrutinize the relative effectiveness of policy options bearing on use of power resources. This makes a more complete inventory and assessment of national power necessary, one that in fact covers the various manifold possibilities for soft empowerment. Only under such scrutiny can decisionmakers find the optimal combinations of hard and soft power necessary to maximize influence.

As with the first prescription, this one will also be challenging given common psychological and cognitive tendencies. The cognitive costs of dealing with complexity are normally very high, which explains why people are guided by paradigmatic thinking in analyzing the world around them. Consequently, there will be a pronounced tendency for decisionmakers to make choices using bounded rationality, which itself is based on limited information and simple models in making decisions (Jervis 1976). Such thought processes, however, tend to produce fairly shallow models of decisionmaking, and therefore will prove ripe for neglecting the potential of soft power and victimization from over-reliance on hard power.

**Strategy 3. Decisionmakers must think in terms of net rather than nominal power.** This is a corollary of the previous strategy, as complexity entails the evaluation of net effects, which are the outcomes one is left with after all the reactions to initial uses of power have occurred. This strategy is underscored because of it is especially effective in breaking down a deleterious
tendency among decisionmakers to over-rely on hard power. No factor contributes as greatly to the victimization from such over-reliance than a tendency to evaluate power in nominal terms. In accumulating power resources, decisionmakers should be especially careful about assessing the costs and consequences of acquiring and using such resources, and factoring those costs and consequences into their estimates of the nation’s overall influence in international relations. Such consequences make nominal power calculations useless at best since the use of power as an endogenous process is subject to feedback effects in complex systems.

This strategy will also prove to be quite challenging for decisionmakers to operationalize. Since the cognitive costs of dealing with complexity are high, decisionmakers will find it difficult to make policies that effectively account for the full net effects of their actions. It is much more tempting to associate levels of influence with measures of nominal power, and in this case hard power resources will dominate because their greater tangibility make them more quantifiable (Jervis 1976). This tendency toward nominalism in assessing national influence will create a bias in perceptions against the limitations of hard power and against the benefits for soft power. This will make optimal smart power targets that much more difficult to achieve.

**Strategy 4. Decisionmakers must judge power based on outcomes rather than resources.** One of the stark lessons from case studies on power accumulation is that decisionmakers appear to be especially tolerant of ongoing failures in attaining their most vital foreign objectives. Much of

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29 Karl Deutsch (1966, p. 155) underscored the importance of a “net” conception of power over four decades ago.
this is the result of the blinding effects of resource moral hazard: because their nations were endowed with significant tangible resources, setbacks in terms of outcomes did not generate the same sense of urgency and panic that might have arisen in the face of more modest stocks of resources (Gallarotti 2010a and 2010b). Assessing power based on resources rather than outcomes makes decisionmakers especially susceptible to victimization from the over-reliance on hard power. As noted, hard power resources are more easily quantified and evaluated relative to the sources of soft power. But hard power resources enjoy an especially great advantage relative to outcomes. It is far less difficult to agree on the size of a military arsenal, for example, than it is to agree on the meaning of certain outcomes in international relations, and how such outcomes are indicative of national influence. Hence, decisionmakers may remain confident about national influence even in the face of disconfirming outcomes if their tangible power resources remain abundant.

With respect to outcomes, the issue of interpretation presents further problems. And this suggests an especially difficult challenge for building effective strategies that vigorously employ soft power in the service at arriving at optimal smart power targets. Since people rely on paradigmatic thinking, they tend to interpret and assess outcomes by filtering them through pre-existing theories about international relations. Such paradigmatic filtering makes it likely that the significance and even the nature of the outcomes themselves are misinterpreted or misperceived. It is often the case that such cognitive rigidity distorts incoming information to conform to the pre-existing beliefs and theories themselves. In this respect, people tend to be more rationalizers than rational (Jervis 1976). Evidence that might disconfirm such paradigms or pre-existing theories may be distorted in ways that makes it less salient as a source of
falsification, or even distorted to the point of being transformed into something that actually confirms such paradigms or theories. There is ample evidence in case studies of power accumulation that such cognitive rigidity distorted perceptions of outcomes in ways that limited the ability of decisionmakers to institute policies that effectively enhanced national influence (Gallarotti 2010a and 2010b).

As with the other strategies, this strategy will also challenge the ability of decisionmakers as a result of asymmetries in information. Given human tendencies to limit cognitive costs, the evaluation of power will be biased in favor of resources that are quantifiable or clearly assessed (Jervis 1976). This will give tangible resources an advantage over outcomes as measuring sticks of influence, thus giving hard power an advantage over soft power, and thus making optimal smart power targets difficult to attain.

**Conclusion: Optimal Power is the Real Goal**

Much of the present emphasis on smart power is a reaction to a long tradition of decisionmaking that has neglected the benefits of soft power and over-relied on hard power. And consequently the literature on smart power has been more demonstrative about using more soft power than about how the two kinds of power (hard and soft) can be optimally combined. So the emphasis has been more on appreciating the utility of soft power than on appreciating the virtues of all useful power resources. In short the narrative has underscored reallocation but has fallen well
short of sufficiently considering the goal of a more systematic identification of an optimal diversification among differing power resources. The prescriptions and warnings of over-reliance on one set of power resources cut both ways. They are as applicable to over-using soft power as they are to depending too much on hard power strategies. In this respect, the greatest possible influence a nation can achieve would be obtained through some optimal diversification among soft and hard power resources. While this diversification has always proved a superior strategy, it is all the more important in the world of the present and future. Indeed the changes in international politics highlighted above suggest that indeed it is becoming a more complex and sophisticated world order (i.e., a cosmopolitan world order) in which the brute forces of hard power have diminished in their importance relative to soft power. This more cosmopolitan world requires very different strategies for optimizing influence in world politics. It requires a concomitantly sophisticated theory that can effectively accommodate such changes in articulating a theory of power. Indeed, it requires a cosmopolitan theory of power that is much more in keeping with the times.

References


