



# GLOBAL POLITICAL ECONOMY

THEORY AND PRACTICE

Third Edition

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To Shirley

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the perspective deals with three key questions: (1) What is the role of domestic actors, particularly the individual, the state, and societal groups? (2) What are the nature and purpose of international economic relations? and (3) What is the relationship between politics and economics? Although these three questions provide a basis for comparing the IPE perspectives, they gloss over the differences among writers *within* each perspective. The second part of each chapter therefore examines the historical development of the perspective, with particular emphasis on the diversity of views within the perspective. Each chapter concludes with a discussion of the perspective's approach to North-South relations.

## C H A P T E R 3

# The Realist Perspective

Part II begins with a discussion of the realist perspective, the oldest school of thought in international relations. Indeed, Thucydides (ca. 471–400 B.C.) is often credited with writing the first important work on IR—*The History of the Peloponnesian War* on war between the Greek city-states—and also with being the first writer in the realist tradition.<sup>1</sup> In addition to being the oldest school of thought, realism was also the most influential school affecting the views of American foreign policy leaders after World War II. Despite realism's prominence in IR in general, it has been far less important than the liberal perspective in the subfield of IPE, for several reasons. First, realists have developed their theories by drawing mainly on politics and history rather than on economics; and second, the realists' emphasis on power has most often directed their attention to security rather than economic issues. Nevertheless, the realist emphasis on the role of the state and power is of considerable importance in the study of IPE.

There are variations among writers in all three main IPE perspectives. Thus, we can identify two major strains of realism, one that has largely neglected economic matters and a second that has been far more attuned to economic-political interactions. The first strain was evident in the views of Niccolò Machiavelli, an Italian philosopher and diplomat who lived from 1469 to 1527. Machiavelli is best known for his classic work *The Prince*, in which he provided advice to leaders on how to gain and maintain power. Machiavelli saw little connection between economics and politics, and he wrote, "Fortune has decreed that, as I do not know how to reason either about the art of silk or about the art of wool, either about profits or about losses, it befits me to reason about the state."<sup>2</sup> Machiavelli also considered military strength to be far more important than wealth in making war because "gold alone will not procure good soldiers, but good soldiers will always procure gold."<sup>3</sup> An important writer on security-economic linkages has argued that Machiavelli's work should be supplemented with economic advice for the modern prince "on the most efficient use of quotas, exchange controls, capital investment, and other instruments of economic warfare."<sup>4</sup> As discussed in this chapter, postwar American realists, like Machiavelli, relegated economics to a relatively low level of importance.

The other strain of realism, stemming from Thucydides and the mercantilists, has been associated with a distinctive realist approach to IPE. Theorists in this strain draw close linkages between traditional realist concerns with power and security on the one hand and economic relations on the other. In *The History of the Peloponnesian War*,

for example, Thucydides attributed war among the Greek city-states to a number of economic changes, including the growth of trade, the emergence of new commercial powers such as Athens and Corinth, and the use of money in traditional agrarian economies. Unlike Machiavelli, Thucydides considered wealth to be a vitally important source of military strength, and he wrote that “war is a matter not so much of arms as of money, which makes arms of use.”<sup>5</sup> Although Thucydides often referred to economic issues, it was the classical mercantilists of the sixteenth to nineteenth centuries who first engaged in *systematic* theorizing on IPE from a realist perspective.<sup>6</sup> The emphasis of mercantilists on the linkages between power and wealth was critical to the establishment of a realist perspective on IPE.

## BASIC TENETS OF THE REALIST PERSPECTIVE

### The Role of the Individual, the State, and Societal Groups

Realists assert that the international system is anarchic because there is no central authority above nation-states. Unlike most domestic societies, IR is a self-help system in which each state must look after its own interests.<sup>7</sup> Thus, realists consider the state to be the principal or dominant actor in IR, and they place considerable emphasis on the preservation of national sovereignty. A state has internal sovereignty when it has a monopoly on the legitimate use of force within its territory, and it has external sovereignty when it is free of control by any outside authority.<sup>8</sup> To retain its sovereignty, a state must have sufficient power to defend its interests. Some realists assert that “power is always the immediate aim” of international politics,<sup>9</sup> while others argue that state “security is the highest end.”<sup>10</sup> Whether realists give top priority to power or security, they all place considerable emphasis on the ability of the state to survive and pursue its national interest.

The state, according to realists, is not only the most important international actor but also a unitary actor. Realists studying foreign economic policymaking recognize the need to discuss subnational and transnational actors in explaining a state’s policies.<sup>11</sup> Nevertheless, most modern-day realists continue to emphasize the unitary nature of the state on important international issues; in the realist view, nonstate actors generally operate within the rubric of state policies. Realists also assume that states are rational actors concerned with maximizing the benefits and minimizing the costs of pursuing national objectives. They acknowledge that policy-makers may be affected by bias and misperceptions and may lack information and capabilities required to make the best decisions. Instead of making *value-maximizing* decisions, states may settle for *value-satisficing* decisions that are satisfactory but not optimal.<sup>12</sup> Nevertheless, the state is essentially a rational decision maker. Because realists assume that states are rational, unitary actors, they have been at the forefront in developing *parsimonious* theories that simplify explanations by explaining a great deal with a small number of concepts and variables.

### The Nature and Purpose of International Economic Relations

Because IR is a self-help system, each state in the realist view must look after its own survival and security. Nevertheless, a *security dilemma* results when each state takes actions to bolster its own security because such actions increase the fear and insecurity of other states. For example, a state may build up its armaments solely for defensive purposes, but this action may raise the fears of others and contribute to an arms race. In view of the security dilemma, realists argue that each state is most concerned about *relative gains*, or its position vis-à-vis other states. Thus, realists contend that “even though two states may be gaining absolutely in wealth, in political terms it is the effect of these gains on relative power positions which is of primary importance.”<sup>13</sup> Unlike realists, liberals concentrate more on *absolute gains*, in which each state seeks to maximize its own gains and is less concerned about the gains or losses of others.

The realists’ emphasis on relative gains stems from their view that IR is often a *zero-sum game* in which one group’s gain equals another group’s loss. This contrasts with the liberal view that IR is a *variable-sum game* in which different groups may gain or lose together. The liberal versus realist view of international institutions provides a prime example of this difference in outlook. Liberals assume that international economic organizations—the IMF, World Bank, and WTO—are politically neutral and benefit all states that adhere to their liberal-economic guidelines. Realists, by contrast, believe that the most powerful states shape the rules of these organizations to fit their own particular national interests and that IOs serve primarily as “arenas for acting out power relationships.”<sup>14</sup>

Although realists believe that all states are concerned with relative gains, the objectives of states may be either offensive or defensive in nature. Aggressive states may use the international economy to promote imperialist expansion or extend their national power over others, whereas defensive states may simply seek to maintain their economic positions in the system. Whether a state is more aggressive or defensive, its interests and policies are determined by its power position in the international system. Thus, realists believe that a hegemonic state with dominant power is likely to have very different interests and policies than less powerful states.

Despite the realist attention to relative gains, historical structuralists argue that realists are mainly concerned with redistribution of power *within* the capitalist system and that they share the commitment of liberals to capitalism. Historical structuralists, by contrast, believe that a more equitable distribution of wealth and power is not possible under capitalism, and they therefore question the capitalist system itself. In the historical structuralist view, there are only “two main modes of development in contemporary history: capitalist and redistributive,” and they group realism along with liberalism in the capitalist mode.<sup>15</sup>

## The Relationship Between Politics and Economics

Realists give priority to politics over economics and assume that powerful states can structure economic relations at the international level. Thus, they are critical of liberal theorists who argue that increasing interdependence and globalization are eroding state control. Some realists question the premise that interdependence and globalization are increasing.<sup>16</sup> Others acknowledge that globalization may be occurring, but they disagree with liberals about the causes and consequences of this phenomenon. Whereas liberals attach considerable importance to technological change and advances in communications and transportation as factors behind globalization, realists believe that globalization (to the extent that it is occurring) increases only because states permit it to increase. Thus, the largest states have the capability of either opening or closing world markets, and they can use globalization to improve their power positions vis-à-vis smaller and weaker states.<sup>17</sup> Realists also place considerable emphasis on a hegemonic state's ability to create an open and stable economic order that can further the globalization process. (Hegemonic stability theory is discussed later in this chapter.)

## THE MERCANTILISTS

The term **mercantilism** was first used by Adam Smith, the eighteenth century economist and philosopher, in reference to much of the economic thought and practice in Europe from about 1500 to 1750.<sup>18</sup> As discussed in Chapter 2, mercantilism played an important role in state building and territorial unification after the demise of feudalism through its emphasis on national power. Mercantilists believed that a state's power depended on the amount of gold and silver it could accumulate in the public treasury. With these precious metals, the state could build up its armed forces, hire mercenaries, and influence both its enemies and its allies. Mercantilist states therefore took all necessary measures to accumulate gold by increasing their exports and decreasing their imports. Since it is impossible for all states to have a balance-of-trade surplus, mercantilists believed that conflict was central to IR and that relative gains were more important than absolute gains. Thus, the mercantilists stood firmly within the realist school of thought.

A number of writers from different countries contributed to classical mercantilist thought over several centuries; thus, it is not surprising that there are different interpretations of their ideas. For example, some analysts argue that classical mercantilists considered national power to be the most important goal and viewed the acquisition of wealth as simply a means of gaining power—the ultimate objective. Others maintain that the mercantilists placed power and wealth on equal footing, viewing them both as “proper ultimate ends of national policy.”<sup>19</sup> Despite these differences of view, analysts agree that mercantilism focused on the national interest and on the pursuit of wealth as well as power by the state.

In the late eighteenth century, important thinkers began to develop comprehensive critiques of mercantilism on political and ethical as well as economic grounds. They criticized mercantilists, for example, for not guaranteeing the freedom of the individual from intrusive state regulation and for contributing to the continuous cycle of wars in

Europe. Adam Smith launched a vigorous economic attack on mercantilism, arguing that it encouraged states to engage in “begging all their neighbours” and caused trade and commerce to become a “fertile source of discord and animosity.”<sup>20</sup> These criticisms of mercantilism were highly effective, and liberal views of free trade became dominant in England—the major power of the time—for much of the nineteenth century.

It is important to note that some authors use the term *mercantilism* in a more general sense in reference to realist thought and practice in IPE. Thus, they refer not only to the mercantilist period in the sixteenth to eighteenth centuries but also to “neomercantilist” states today, which rely on government involvement and various forms of protectionism to promote self-sufficiency and increase their power and wealth. To avoid confusion, this book uses the term *realism* in reference to the general school of thought in IPE; it uses the term *mercantilism* to refer only to the specific period when states sought to accumulate precious metals and increase their national power in the sixteenth to eighteenth centuries.

## REALISM AND THE INDUSTRIAL REVOLUTION

Although the liberal critics of mercantilism were highly successful, some thinkers and policymakers continued to emphasize realist practices. Mercantilism was a preindustrial doctrine, and the advent of the Industrial Revolution gave a new impetus to realist thought. Industrialization in the realist view had become a central requirement for countries seeking to gain national security, military power, and economic self-sufficiency. Foremost among the realist thinkers at this time were the first U.S. Secretary of the Treasury, Alexander Hamilton (1755–1804), and a German civil servant, professor, and politician who was imprisoned and exiled for his dissident political views, Friedrich List (1789–1846).

Although the classical mercantilists were the first to engage in systematic realist theorizing on IPE, Hamilton's 1791 *Report on the Subject of Manufactures* “contains the intellectual origins of modern economic nationalism and the classic defense of economic protectionism.”<sup>21</sup> Hamilton believed that the preservation of U.S. national independence and security depended on the strengthening of the economy and the promotion of economic development. His preferred policies to achieve economic growth were largely realist, including an emphasis on industry over agriculture, economic self-sufficiency, government intervention, and trade protectionism. Although Hamilton realized that agriculture was important, he believed that manufacturing was more essential for diversifying the U.S. economy and decreasing its vulnerability to external forces. In his *Report on Manufactures*, Hamilton wrote:

Not only the wealth; but the independence and security of a Country, appear to be materially connected with the prosperity of manufactures. . . . The extreme embarrassments of the United States during the late War, from an incapacity of supplying themselves, are still matter of keen recollection.<sup>22</sup>

Because the British government had discouraged manufacturing in the American colonies, Hamilton felt that U.S. government intervention was necessary to establish

an industrial base. To counter the advantages of British over American industries, Hamilton argued that the U.S. government should encourage the introduction of foreign technology, capital, and skilled labor. The government should also adopt protectionist trade policies, including tariffs, quotas, and bounties, to bolster its fledgling industries. However, Hamilton's advocacy of protectionism differed from classical mercantilism because he did not consider the accumulation of gold and a positive balance of trade to be the primary objectives. Instead, he emphasized the development of a strong manufacturing economy.

List was strongly influenced by Hamilton's ideas, and like Hamilton he emphasized the importance of manufacturing industries for a country's economic development. Indeed, in his seminal work *The National System of Political Economy* (1841), List wrote that "a nation which exchanges agricultural products for foreign manufactured goods is an individual with *one* arm, which is supported by a foreign arm."<sup>23</sup> List had lived in the United States as well as Germany, and he argued that these two countries would never equal Britain's wealth and power if they did not develop their manufacturing industries. As strategies to increase manufacturing, List placed particular emphasis on the imposition of trade barriers, the promotion of national unity, and the development of "human capital."

If Germany and the United States were to catch up with Britain, List argued, they would have to provide some trade protection for their infant industries. Indeed, Britain itself had attained manufacturing supremacy by adopting a protective commercial policy, and it supported free trade only after it became the economic leader. By turning to a free trade policy during the nineteenth century, Britain promoted a division of labor that enabled it to retain its supremacy in industry and technology. Thus, trade between Britain and the United States in the first half of the nineteenth century consisted mainly of the exchange of British manufactured products for U.S. wool and cotton. Although states can benefit from free trade in the long term, List argued, U.S. and German economic development would be constrained in an open competitive economy as long as they lagged behind Britain. It was therefore necessary for the United States and Germany to adopt some protective trade policies as a means of building up their productive potential.

List also emphasized the importance of national unity, which would enable the state to implement policies promoting economic development. List's preoccupation with national unification was understandable because of the prevalence of internal duties on trade within Germany at the time. A strong, unified state was necessary, List believed, not only to impose external trade barriers and engage in national projects such as building railroads but also to promote the development of human capital. List attributed British leadership in manufacturing and trade to the superiority of the British educational system, and he argued that governments had special responsibilities for educating their citizens.<sup>24</sup>

As a realist, List strongly criticized the views of liberal economist Adam Smith, who favored a division of labor and free trade. In List's view, liberals like Smith overemphasized the existence of natural harmony and peace and underestimated the extent to which the world is divided by national rivalries and conflict. It is important to note, however, that List believed a division of labor and free trade were valuable *in the long term*. In the short term, he argued that government involvement in developing human capital and protecting infant industries was necessary in countries such as

Germany and the United States. Only when these less advanced nations could be "raised by artificial measure," as the British had been, wrote List, could "freedom of trade . . . operate naturally."<sup>25</sup>

## REALISM IN THE INTERWAR PERIOD

As discussed in Chapter 2, Britain repealed its Corn Laws in 1846, opening its markets to agricultural imports and ushering in a period of free trade that continued until the latter part of the nineteenth century. However, changes occurring in the late nineteenth century caused liberal free trade ideas to lose some of their appeal. Under the pressures of World War I and the economic crises and conflicts of the interwar years, there was a virtual breakdown of cooperative relations based on liberalism. Realist ideas gained more influence as countries seeking to protect their national interests turned to policies of protectionism, competitive currency devaluations, and foreign exchange controls. The dire economic circumstances also encouraged extremists, especially on the right, who "took advantage of the economic dislocation to attack the entire liberal-capitalist system and to call for assertive 'national' policies, backed if necessary by the sword."<sup>26</sup>

The experience of extreme nationalism and trade protectionism during the interwar years and its linkage with the Great Depression and the outbreak of World War II provided an impetus for leaders at the Bretton Woods conference to establish a more liberal economic system. Thus, liberalism became the dominant school of thought in the postwar international economic system. In the postwar international *political* system, however, realist thought was to reign supreme. Unlike the earlier mercantilists, the postwar realist scholars were largely unconcerned with economic matters.

## REALISM IN THE POST-WORLD WAR II PERIOD

Although realists such as Thucydides, the mercantilists, Hamilton, and List had been highly attuned to economic issues, U.S. realist scholars after World War II focused almost exclusively on security issues. Security matters were a major preoccupation with the rapid emergence of the Cold War, and international economic issues by contrast seemed to have little political importance. Under U.S. leadership, a consensus had developed at Bretton Woods that seemed to usher in a period of economic stability and prosperity. LDCs thought that their interests received too little attention at Bretton Woods, but they had little ability to influence postwar economic policies. The Cold War was also largely excluded from the postwar economic system because most Soviet bloc countries were not members of the KIEOs (the IMF, World Bank, and GATT). Their nonparticipation did not interfere with the functioning of these organizations because the Eastern bloc accounted for only a small share of global economic interactions. The KIEOs were largely dominated by the Western DCs and espoused liberal

principles; thus realists felt they were involved with “low politics” and therefore not worthy of much attention.<sup>27</sup>

Postwar realist scholars were also influenced by liberal views on the separability of economics and politics. However, unlike liberals such as Adam Smith, who supported the idea of a laissez-faire economy free of political constraints, the realists emphasized political forces and largely ignored economics. Traditional U.S. views that there *should be* a clear separation between the state and the economy were yet another source of influence on postwar realists. Government involvement in military and defense matters was fully accepted in the United States, but state involvement in the economy was viewed as somehow less legitimate. Finally, the superpower status of the United States led U.S. realists to fix their attention so firmly on the power struggle with the Soviet Union that they “overlooked the economic relations beneath the flux of political relations.”<sup>28</sup> As a result, liberalism and Marxism clearly overshadowed realism as schools of thought in IPE during the 1950s–1960s.

## THE REVIVAL OF REALIST IPE

In the 1970s–1980s, some realist writers began to return “to a realist conception of the relationship of economics and politics that had disappeared from postwar American writings.”<sup>29</sup> For example, Robert Gilpin, who was a leading scholar in the realist rediscovery of IPE, devoted an entire book to the study of U.S. power and the MNC in 1975.<sup>30</sup> Two factors contributed to the reemergence of realism as a major perspective on IPE. First, the decline of the Cold War and increasing disarray in the global economy forced many realists to broaden their focus beyond security issues; and second, realists were highly critical of liberal and Marxist economic analyses of IPE.

Although Western monetary, trade, and aid relations had prospered under U.S. leadership during the 1950s–1960s, major changes occurred in the 1970s–1980s with destabilizing consequences for the global economy. These changes included the emergence of OPEC as a powerful new world actor; the relative decline of U.S. economic hegemony; the increase in economic frictions and competitiveness among the United States, the EC, and Japan; and the emergence of a foreign debt crisis in many LDCs. The new sources of economic instability forced realists to confront the fact that economic issues were of central importance and could no longer be considered low politics.

Realists also criticized liberal and Marxist students of IPE for being *economistic*; i.e., for exaggerating the importance of economics and underestimating the importance of politics.<sup>31</sup> A number of developments during the postwar period demonstrated the necessity for realist studies of IPE, with emphasis on political issues and the role of the state. For example, the “Keynesian Revolution” from the 1930s–1950s caused DC governments to become heavily involved in macroeconomic management and public social expenditures; the breakdown of colonialism led to the establishment of many newly independent states that developed forms of government quite different from the Western liberal democratic model; and growing international competition facing the United States in the 1970s–1980s led to protestations that the state should

be doing more to promote U.S. industry. An updated realist perspective was therefore needed to “bring the state back in” to the study of IPE.<sup>32</sup>

In their approach to IPE, the newer realists posed a direct challenge to liberal interpretations of economic change. According to liberals, international economic relations had flourished after World War II because of the growth of interdependence. This interdependence was closely linked with advances in communications and transportation, and with the increased role of nongovernmental actors such as MNCs. Realists, by contrast, with their emphasis on the state and power, argued that *the distribution of power among states* (not advances in transportation and communications) is the most important factor determining whether international economic relations will flourish. A major factor to consider in power distribution is whether there is a global hegemonic state with predominant power willing and able to provide leadership. Thus, the later realists were strong advocates of hegemonic stability theory, which draws linkages between the existence of a hegemonic state and the nature of global economic relationships.<sup>33</sup>

Although hegemonic stability theory is closely tied with the realist school of thought, it is a hybrid theory that also draws on the liberal and historical structuralist perspectives. The discussion that follows demonstrates that hegemonic stability theory cannot be neatly categorized. Nevertheless, the main aspects of hegemonic stability theory are discussed in this chapter because it forms such a central part of the realist approach to IPE.

## HEGEMONIC STABILITY THEORY

**Hegemonic stability theory** asserts that the international economic system is most likely to be open and stable when there is a single dominant or hegemonic state with two characteristics: it has a sufficiently large share of resources that it is *able* to provide leadership, and it is *willing* to pursue policies necessary to create and maintain a liberal economic order. In addition to being willing and able to lead, the hegemon must follow policies that other major actors believe are relatively beneficial. When a global hegemon is lacking or declining in power, economic openness and stability are more difficult—but not impossible—to maintain. It is generally agreed that hegemonic conditions have occurred at least twice—under Britain during the nineteenth century and under the United States after World War II. Some writers maintain that there were other world powers before the nineteenth century, including Portugal, Spain, the United Provinces or the present-day Netherlands, and (again) the British.<sup>34</sup> However, most scholars believe that these countries did not have international influence comparable to British and American influence during the nineteenth and twentieth centuries.

Hegemonic stability theory has spawned a vast array of literature as well as lively discussion and debate in the field of IPE. Scholars have critiqued virtually all aspects of the theory, some simply calling for revisions and others questioning its basic assumptions. In response, hegemonic stability theorists have defended the theory and revised certain aspects of it. Many of the criticisms are based on empirical grounds. For example, critics question whether theorists can draw meaningful generalizations



about hegemonic behavior based on the experiences of only a small number of global hegemonies during limited historical periods. There is also disagreement as to the definition and measurement of hegemony, with different authors focusing variously on the military, political, economic, and cultural aspects. In view of these differences, disagreements among analysts over when British hegemony declined and over whether U.S. hegemony is declining are not surprising. Even theorists who agree that the United States is a declining hegemon have different views about timing. Furthermore, some critics question one of the basic premises of the theory: that a global hegemon contributes to economic openness and stability. Rather than examining the numerous studies critiquing and defending hegemonic stability theory, four questions focus on the major sources of division:

1. What is hegemony?
2. What are the strategies and motives of hegemonic states?
3. Is hegemony necessary and/or sufficient to produce an open, stable economic system?
4. What is the status of U.S. hegemony?

### What Is Hegemony?

The distribution of power among major states is rarely equal. Indeed, realists and some historical structuralists (such as world-systems theorists, discussed in Chapter 5) believe that the international system is marked by unequal growth, with some states increasing and others declining in power. The term **hegemony** is used when the distribution of power is *extremely* unequal, and realists view hegemony in state-centric terms. For example, one important realist writer describes the international system as imperial or hegemonic when “a single powerful state controls or dominates the lesser states in the system.”<sup>35</sup> A definition of this sort, however, does not provide us with answers as to how much control, and what types of control, are necessary for a state to be hegemonic. Can a state attain hegemony based on military or economic power alone, or must it achieve a leadership position in both areas? Most theorists have rather stringent conditions for hegemonic status, and they therefore believe that hegemonic conditions have been fulfilled on only two or three occasions. Thus, one prominent definition limits hegemony to a relationship among states that is so unbalanced that “one power can largely impose its rules and wishes (at the very least by effective veto power) in the economic, political, military, diplomatic and even cultural arenas.”<sup>36</sup>

Although most theorists define hegemony in state-centric terms, *Gramscian* theorists use the term hegemony in a cultural sense to connote the complex of *ideas* that social groups use to assert their legitimacy and authority. (Gramscian analysis, which stems from the writings of Antonio Gramsci, an Italian Marxist, is discussed in Chapter 5.<sup>37</sup>) Thus, Gramscians refer to the hegemony of ideas such as capitalism and to the global predominance of American culture. According to Gramscians, the capitalist class agreed to provide a wide range of concessions—such as welfare payments, unemployment insurance, and workers’ rights to organize—to subordinate social classes. In return for these concessions, subordinate social classes viewed the hegemony of the capitalist class as acceptable and legitimate. This hegemony is difficult to overcome because opposing groups must first make the subordinate classes aware that they are being op-

pressed. As globalization has proceeded in such areas as trade, foreign investment, and finance, some Gramscians assert that a “transnational capitalist class” is establishing its hegemony at the global level. This transnational capitalist class is ensuring that all impediments to the free flow of capital around the world are being removed.<sup>38</sup>

The Gramscian views enrich our understanding by focusing on aspects of hegemony that are not adequately covered in the state-centric definitions. Nevertheless, most writers involved in debates over hegemonic stability theory use a state-centric definition.

### What Are the Strategies and Motives of Hegemonic States?

Although hegemonic stability theorists agree that a hegemon must be willing and able to lead, they have differing views regarding the hegemon’s leadership methods and goals. Thus, authors refer to three models of hegemony, ranging from benevolent at one end of the spectrum to coercive at the other end.<sup>39</sup> In the first model, the hegemon is benevolent in both its methods and goals. It is more concerned about promoting generalized benefits than its self-interest, and it relies on rewards rather than threats to ensure compliance by other states. In the second, mixed model, the hegemon has an interest in general as well as personal benefits, but it relies on coercive methods when necessary to achieve its objectives. In the third model, the hegemon is exploitative. It exerts leadership out of self-interest, and is more inclined than hegemonies in the first two models to use coercion to enforce compliance. Benevolent hegemonies are more concerned with absolute gains, coercive hegemonies are more concerned with relative gains, and hegemonies with mixed motives and methods are interested in both absolute and relative gains.

Liberals view hegemony in the most benevolent terms, emphasizing the degree to which the hegemon is willing to “take on an undue share of the burdens of the system.”<sup>40</sup> According to liberals, the hegemon provides public goods in order to create and maintain open, stable economic regimes. **Public goods** have two characteristics: they are nonexcludable and nonrival. Nonexcludability means that others can benefit from the good, even if they do not contribute to its provision. For example, a sidewalk is nonexcludable because even individuals who have not helped pay for it through taxes are free to use it. Nonrivalness means that a state’s (or individual’s) use of the good does not seriously decrease the amount available to others. Again, a sidewalk is nonrival because many individuals can simultaneously benefit from using it.

In the liberal view, a benevolent hegemon is willing to provide a wide range of public goods to ensure there is economic openness and stability. At the end of World War II, the United States provided security as a public good through the U.S. nuclear umbrella so that Western Europe and Japan could concentrate on their postwar economic recovery. The United States as global hegemon has also permitted its currency to be used as the principal reserve asset, supplied adequate U.S. dollars to permit the growth of international trade, provided financing for economic growth of LDCs, and maintained a relatively open market for other countries’ exports. There are very few pure public goods because a hegemon may be able to at least partially exclude some countries. In contrast to public goods, private goods are both excludable and rival.<sup>41</sup> Because states receive a public good even if they do not help provide it, they tend to become noncontributors or *free riders*, and public goods are underproduced in relation to private goods.



Realists are more inclined than liberals to portray the hegemon as furthering its national self-interest rather than the general good. In the realist view, a rising hegemonic state prefers an open international system because such openness can contribute to its economic growth, national income, and political power.<sup>42</sup> Realists are also more likely than liberals to portray the hegemon as coercive, threatening to cut off trade, investment, and aid in efforts to force other states to share the costs of public goods. Nevertheless, many realists indicate that hegemonic states may have mixed motives and that the overall effects of hegemony can be beneficial. For example, one realist writer asserts:

There is no question that the creation of a system of multilateral trade relations was in the interests of the United States. . . . It does not follow from this fact, however, that American efforts to achieve such a system were solely self-serving. . . . Nor does it follow that what is good for the United States is contrary to the general welfare of other nations.<sup>43</sup>

Among proponents of the three main IPE perspectives, historical structuralists are the least likely to view a hegemon as benevolent. Some historical structuralists argue that the hegemon coordinates the responses of DCs in the core of the global economy, enabling them to solidify their dominance over LDCs in the periphery. Only when the hegemon declines is there disarray among the leading capitalist states, which undermines their ability to continue extracting surplus from the periphery. Thus, Gramscian theorists advocate the development of a “counterhegemony” among disadvantaged groups in the periphery as a means of extricating themselves from subservience to the hegemonic forces in the core.<sup>44</sup>

### Is Hegemony Necessary and/or Sufficient to Produce an Open, Stable Economic System?

Hegemonic stability theorists believe the existence of a hegemonic state increases the likelihood that the international economy will be open and stable. A hegemon often promotes openness and stability by helping to create and maintain liberal international regimes (discussed in detail in Chapter 4). International **regimes** are “sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors’ expectations converge in a given area of international relations.”<sup>45</sup> In other words, the regime concept addresses the fact that a degree of governance exists above the nation-state level in specific areas of IR, even without a centralized world government. Members of the WTO, for example, abide by certain trade regime principles, such as nondiscrimination, reciprocity, and trade liberalization, and they follow trade regime rules and engage in trade negotiations to uphold these principles.

According to hegemonic stability theorists, the United States as global hegemon has helped create and maintain open and stable monetary, trade, and aid regimes since the end of World War II. Through the provision of public goods and rewards and the use of coercion, the United States as global leader gives other states the incentive to abide by the regime principles, norms, and rules. Thus, hegemonic stability theorists assume that open, stable economic regimes are more difficult to maintain if a hegemonic state is declining or there is no hegemon. On the basis of these assump-

tions, hegemonic stability theorists have made a number of assertions about the liberalizing effects of British and U.S. hegemony:

- British hegemony was a major factor contributing to trade liberalization in the nineteenth century.
- The decline of British hegemony after 1875 led to a decline in free trade.
- The lack of a hegemon willing and able to lead between World Wars I and II resulted in increased protectionism culminating in the Great Depression.
- The emergence of the United States as global hegemon after World War II resulted in the re-emergence of open and stable international economic regimes.

A number of empirical studies, however, have questioned the assumption that hegemony is necessary and/or sufficient to produce economic openness. For example, many writers agree that Britain was a declining hegemon after 1875. However, some empirical findings reveal that there was no widespread return to protectionism after 1875 and that it was World War I, *not* Britain’s hegemonic decline, “that sounded the death knell for liberalized international trade.”<sup>46</sup> Some liberal critics concede that a hegemonic state may play an important role in creating open international economic regimes but argue that these regimes will not necessarily weaken after the hegemon declines. Open economic regimes can have beneficial effects on other states, which may have the incentive to maintain these regimes through cooperative efforts even after the hegemon declines. Thus, it is important to ask not only whether a hegemon is available to *supply* open regimes but also whether there is sufficient *demand* to maintain such regimes in a posthegemonic period.<sup>47</sup> Some liberal theorists go even further and argue that hegemony is not necessary for either the creation or maintenance of regimes. In addition to regimes imposed or supplied by a hegemon, it is possible to have *negotiated regimes* that arise through negotiations among willing states that are relatively equal in stature. *Spontaneous regimes* may also be formed when countries’ expectations converge without their conscious efforts to negotiate an explicit agreement; for example, spontaneous orders relating to language systems and ethical values sometimes develop within many societies, and the same can occur among states.<sup>48</sup>

Others point out that hegemonic states are not uniformly committed to open economic regimes because domestic groups or individuals can favor barriers to the free flow of goods, services, or capital. As noted in Chapter 6, although the United States generally supported an open international trade regime in the 1940s, it *did not* endorse an open, liberal international financial order. Instead, the United States joined European countries in supporting the use of national controls on capital flows. Even in the trade area, the United States was not uniformly liberal in the postwar era. In response to domestic interests, the United States insisted that GATT provide several major exceptions for agriculture and supported the creation of a restrictive Multi-Fiber Agreement to limit textile imports.<sup>49</sup>

Some writers also maintain that factors other than hegemony can account for economic openness and stability. For example, general world prosperity can result in open economic regimes, whereas economic downturns can cause countries to adopt more closed, protectionist policies. Furthermore, industries are more inclined to pressure for trade protectionism when they produce surpluses and are more likely to

support trade openness during periods of shortages.<sup>50</sup> In sum, many critics concede that there may be *some* connection between hegemony and economic openness. However, they question whether hegemony is necessary and/or sufficient to create and maintain open, liberal economic regimes.

### What Is the Status of U.S. Hegemony?

One of the most vigorous debates focuses on the current status of U.S. hegemony. This debate stems from the fact that there is no clear consensus or criteria for determining when a state is hegemonic. Debate continues to this day over the timing of Britain's hegemonic decline. Although some authors date Britain's declining hegemony in trade and industrial competitiveness from about 1875, others note that Britain maintained its hegemonic position in finance until World War I (this issue is discussed in Chapter 2).<sup>51</sup> In regard to the United States, a number of theorists are "declinists" who argue that hegemony is inherently unstable and that "one of the most important features of American hegemony was its brevity."<sup>52</sup> Declinists often draw parallels between the United States and Britain and note that Germany and Japan's erosion of U.S. dominance in the 1970s-1980s had similarities with U.S. and German erosion of British dominance in the 1890s. There is often a sense of inevitability in the declinist literature, with one noted historian writing that "the only answer to the question increasingly debated by the public of whether the United States can preserve its existing position is 'no'—for it simply has not been given to any one society to remain *permanently* ahead of all the others."<sup>53</sup> Declinists cite various reasons for U.S. hegemonic decline, including the hegemon's tendency to overextend itself in military and economic terms (or imperial overstretch),<sup>54</sup> the tendency of free riders to gain more than the hegemon from economic openness, and the emergence of dynamic and competitive economies that challenge the hegemon's predominant position. Although declinists believe that U.S. hegemony will not persist, they often predict the United States will continue to be a significant power in a multipolar world.<sup>55</sup>

Pitted against declinists are "renewalists" who challenge the assumption that the United States is declining. Although most renewalists concede that U.S. economic power has declined in a relative sense since 1945, they argue that this has not had a significant effect on U.S. hegemony. U.S. predominance at the end of the war was so great that its relative position was bound to decline as a result of economic reconstruction in Europe and Japan. Nevertheless, U.S. economic power continues to be "quite enormous when compared to that of any other country, and has an international aspect which gives the U.S. government a unique prerogative *vis-à-vis* the rest of the world."<sup>56</sup> As evidence of its continued hegemony, renewalists maintain that the United States has a considerable amount of *structural* or *soft power*: it is often successful in getting "other countries to *want* what it wants."<sup>57</sup> Thus, the United States continues to have a large degree of control over setting the global agenda and determining how issues are dealt with in IR. In explaining the continued U.S. influence, renewalists criticize declinists for failing to consider noneconomic factors. U.S. television, movies, and magazines have an enormous effect on cultural tastes and habits around the world, despite the efforts of some countries to limit such influences, and U.S. supremacy in the military-security area also permits it to exercise power in the economic sphere. Although the decline of the Cold War has decreased the scope of secu-

rity threats to Western Europe and Japan, new global security threats are likely to emerge, and the breakup of the Soviet bloc has solidified U.S. military-security predominance.<sup>58</sup>

Recent events in the security and economic areas have resulted in an upsurge of writings by renewalists. In the security sphere, the end of the Cold War has led some writers to refer to the United States as the only superpower and a unipolar power. These analysts have examined the effects of U.S. military supremacy on its relations with the EU, Japan, and other major actors on economic as well as security issues.<sup>59</sup> In the economic sphere, the financial crisis in East and Southeast Asia in the late 1990s and Japan's inability to assume a leadership role and revive its own lackluster economy has led renewalists to argue that the United States is also regaining its economic predominance. Compared with East Asia and Japan, the United States was experiencing high economic growth and low unemployment and inflation rates. Although the United States had lost market share to Japan in many industrial goods such as automobiles and in some high technology products, "the renovation of U.S. manufacturing, the U.S. services offensive, and the inherent limitations of the Japanese model created a complex situation by the end of the 1990s."<sup>60</sup>

However, renewalist arguments that the United States is the unchallenged hegemon are more convincing in the military-security area than the economic area. Declinists reject the idea that U.S. economic revival in the 1990s is a long-term structural phenomenon, and argue instead that it was a sign of short-term cyclical fluctuations. In the declinist view, the mid- to long-term trend is operating against U.S. economic hegemony.<sup>61</sup> Thus, declinists point to the fact that the EU is a larger international trading entity than the United States (see Chapter 8) and assert that the formation of the European Economic and Monetary Union (EMU) and adoption of a new currency—the *euro*—in place of 12 EU members' national currencies "offers the prospect of a new bipolar international economic order that could replace America's hegemony since World War II"<sup>62</sup> (see Chapter 6). This continuing debate raises questions as to whether those focusing on the security and economic aspects of hegemony are communicating with one another (only a small number of scholars are seriously examining both aspects of hegemony).

Thus, there is a need for IPE scholars to do more to integrate the study of security and economic issues. For example, one issue to examine is whether U.S. military predominance in the post-Cold War era has in fact detracted from U.S. soft or structural power in both the security and economic areas. Whereas many countries during the Cold War "welcomed the United States as their protector against the other superpower," with the end of the Cold War some argue that other major powers are more likely to view the only remaining superpower as a threat to their interests.<sup>63</sup> Thus, there has been considerable unease in Europe with "the idea of unrivalled American power," and attention is now being given "to strengthening European military capacity, and forging an inner core within an enlarged European Union, as a balance to American power."<sup>64</sup> Another issue to examine is the longer-term effects of U.S. actions in the security sphere on its economic position and relations with Europe and East Asia.

In 1989 two IR theorists described hegemonic stability theory as "the most prominent approach among American political scientists for explaining patterns of economic relations among the advanced capitalist countries since 1945."<sup>65</sup> However, this discussion has shown that the tenets of hegemonic stability theory are controversial, and in recent years a number of IPE scholars have devoted more attention to other theories. Although

realists at first turned to hegemonic stability theory partly as a response to liberal interpretations of IPE, liberal versions of the theory have also been prominent, and historical structuralists (e.g., world-systems and Gramscian theorists) have also focused on hegemony. It is not surprising that realists have been particularly interested in hegemonic stability because of their preoccupation with interactions among the most powerful states.

## REALIST CONTRIBUTIONS TO THE STUDY OF IPE

An examination of hegemonic stability theory has pointed to two areas where realists provide important contributions to IPE: their preoccupation with security issues and with the role of the state. As discussed, the realist emphasis on security is important in directing the attention of IPE scholars to the interconnections between security and economic issues. The realist emphasis on the state and the liberal emphasis on the market and MNCs are both essential for the study of IPE. For example, technological change is an important source of economic growth, and to understand the role of technological innovation we must draw on both the liberal and realist perspectives. Most technological innovation occurs within business enterprises, but “the institutional environment is key to understanding whether firms will be successful or not in creating new products and processes.”<sup>66</sup> Thus, to understand the sources of technological innovation it is important to examine the interaction among three institutional spheres: industry, government, and academia.<sup>67</sup> A major contribution of realism continues to be its role in bringing “the state back in” to the study of IPE.<sup>68</sup>

## REALISM AND NORTH-SOUTH RELATIONS

Although realists are very concerned about relative gains, their preoccupation with power and influence usually leads them to examine distributional issues only among the most powerful states; i.e., among Northern DCs. In security studies, for example, realists during the Cold War were far less concerned about conflicts in the South (Korea, Vietnam, and the Middle East were exceptions) than about possible conflict “in Europe, where fear of the catastrophic escalation potential of any East-West confrontations prevented even the most minor form of warfare between the two power blocs.”<sup>69</sup> Indeed, superpower intervention in LDC conflicts was often viewed as a permissible safety valve not available in Europe. In IPE, the realist tendency to ignore Southern interests extends back to the nineteenth century writings of Friedrich List. As discussed, List believed that Northern countries such as Germany and the United States should develop their manufacturing industries so they could compete with Britain. However, List did not consider industrialization to be a legitimate objective for colonial territories of the South, which served as a source of raw materials and agricultural goods for the North. In *The National System of Political Economy*, List wrote that Northern countries were “specially fitted by nature for manufacturing” and that

Southern countries should provide the North with “colonial produce in exchange for their manufactured goods.”<sup>70</sup>

As a result, realist IR scholars have until recently only rarely focused on North-South relations.<sup>71</sup> Realists in IPE have written more studies on North-South relations in recent years, but this is primarily because some LDCs have posed a challenge to the power position of the North. In the 1970s, for example, realists became interested in OPEC when it wrested control over oil prices and production levels from the international oil companies and launched “the most effective exercise of power by the South against the North since the conclusion of the Second World War.”<sup>72</sup> (Membership in OPEC is limited to LDCs.) When OPEC supported the G-77’s demands in the UN for a New International Economic Order, realists also wrote studies on the NIEO’s possible impact. In the 1980s–1990s, realists became less interested in OPEC as its ability to control oil supplies and prices declined. Instead, they devoted attention to the East Asian NIEs, which seemed to pose a new challenge to the power position of the North. Thus, realists engaged in a vigorous debate with liberals: Were the economic successes of East Asian NIEs (South Korea, Taiwan, Singapore, and Hong Kong) due more to their market orientation (the liberal view) or to government-business cooperation and government involvement in the market (the realist view)? Even when realists study North-South relations, they generally do not have a sustained interest in LDC development as a legitimate area of inquiry. Thus, the author of a 1977 realist study on North-South relations warned that his book dealt with issues that do not normally fall within the domain of IR.<sup>73</sup>

The realist and liberal perspectives on North-South relations differ in some important respects. Whereas liberals assert that LDCs are primarily interested in economic growth and prosperity, realists argue that LDCs seek increased power as well as wealth in efforts to decrease their vulnerability to the North. In the realist view, LDC problems can be traced not only to their poverty but also to their weak position in the international system. Even when LDCs experience absolute economic gains, they continue to feel vulnerable because of their weak position vis-à-vis the North.<sup>74</sup> The section that follows briefly discusses three strategies realists claim LDCs employ to decrease their vulnerability. (These strategies are discussed further in Part III.)

First, LDCs employ collective action vis-à-vis the North based on their greater numbers, because they have little power individually. For example, LDCs formed the G-77 in the early 1960s (see Chapter 2). This caucus, which now has well over 100 members, has served as a major vehicle pressuring for Southern interests. Other joint actions by LDCs to strengthen their positions include producer associations such as OPEC and regional trade agreements (see Chapter 9). Second, LDCs depend on government involvement to promote their development. As discussed in later chapters, LDCs have often opted for economic development policies such as import substitution and export-led growth in which the government supplements the market. These policies draw on the assumption of Hamilton and List that late industrializers will never be able to catch up if there is open competition. Thus, for late industrializers the state often takes responsibility for actively promoting development.<sup>75</sup> Third, LDCs try to alter international economic regimes and organizations. At the end of World War II, the United States used its hegemonic position to establish international regimes upholding liberal principles, norms, rules, and decision-making procedures. However, LDCs prefer more authoritative, less market-oriented

regimes in which IOs would make decisions redirecting power and wealth from the North to the South. LDCs also prefer international economic organizations (such as UNCTAD) based on a one-nation, one-vote principle rather than weighted-voting organizations such as the IMF and World Bank. As discussed in Chapter 11, LDC efforts to alter market-oriented regimes were most evident in their demands for a NIEO in the 1970s.<sup>76</sup>

Although realists, unlike liberals, focus on the North-South struggle for a redistribution of power and wealth, they assume that such a redistribution is fully possible within the capitalist system. In other words, both realists and liberals generally accept capitalism as the most desirable system for conducting economic relations. As discussed in Chapter 5, historical structuralists such as dependency and world-systems theorists by contrast believe that a significant redistribution of power and wealth between the North and the South is impossible under capitalism and can occur only under socialism.

## CRITIQUE OF THE REALIST PERSPECTIVE

This discussion focuses on important general criticisms of the realist perspective. Realists often correctly criticize both liberals and historical structuralists for “economism,” or for exaggerating the importance of economics and underestimating the importance of politics. In seeking to remedy this deficiency, however, realists sometimes overemphasize the centrality of politics in relation to economics. The preoccupation of U.S. realists in the early postwar period with international security and their almost total neglect of economic issues was a prime example of this error. Since the 1970s–1980s, some writers have revitalized the realist study of IPE, for example, with the realist approach to hegemonic stability theory and the role of the state in IPE. Nevertheless, these theorists often continue to downgrade the importance of economic issues that are not closely related to realist concerns with power, security, and relative gains. For example, this chapter notes that realists have not had a sustained interest in North-South relations and that liberal and historical structuralist analyses have therefore been more important in this area.

Realists often pride themselves on being the most parsimonious IR theorists, and their simplifying assumptions regarding the rational, unitary state have enabled them to develop some elegant theories. Nevertheless, the “state as unitary actor” view is probably the most controversial of the realist assumptions.<sup>77</sup> As interdependence and globalization increase, domestic processes and nongovernmental actors have a greater role in foreign policy, but the realist perspective is less attuned to this vision of the state. Since transnational actors such as MNCs and international banks are particularly important in IPE, the parsimonious habits of realists sometimes limit their analyses of economic issues. In recent years, some students of foreign economic policymaking have tried to develop a realist theory of state action that takes account of domestic as well as international variables.<sup>78</sup> However, liberal IPE theorists continue to be far more attuned than realists to domestic variables.<sup>79</sup>

Realists also place more emphasis on relative than absolute gains because of their concern with state survival and security in an anarchic self-help system. Relative gains are clearly of primary concern in some interstate relationships, such as U.S.-Soviet relations during the Cold War. However, absolute gains are often of greater concern in in-

terdependent relationships in which states cooperate and do not threaten each other with force.<sup>80</sup> Even when realists study international economic organizations, they are more attuned to concerns about relative than absolute gains. For example, one realist study of the EU concludes that “the weaker but still influential partners will seek to ensure that the rules” established give them the opportunity “to voice their concerns and interests and thereby prevent their domination by stronger partners.”<sup>81</sup> The preoccupation of realists with relative gains causes them to be highly skeptical about the influence of international institutions. If states are always concerned that they may gain less than others, realists argue, they will be very reluctant to transfer significant authority to these IOs. Nevertheless, international and regional economic organizations such as the IMF, World Bank, WTO, EU, and NAFTA have a significant effect in some areas of IPE.

Although the realist perspective has had remarkable longevity and success in IR in general, its preoccupation with security issues has limited its influence in the study of IPE. This book now turns to a discussion of liberalism, which has been the most important IPE theoretical perspective.

## NOTES

1. For a discussion of Thucydides and realism, see Michael W. Doyle, “Thucydidean Realism,” *Review of International Studies* 16-3 (1990), pp.223–237; and Laurie M. Johnson Bagby, “The Use and Abuse of Thucydides in International Relations,” *International Organization* 48-1 (Winter 1994), pp.131–153.
2. Quoted in Albert O. Hirschman, *National Power and the Structure of Foreign Trade*, exp. ed., (Berkeley: University of California Press, 1980), p.xv.
3. Niccolò Machiavelli, *The Prince and the Discourses* (New York: Modern Library, 1940), pp.308–310.
4. Hirschman, *National Power and the Structure of Foreign Trade*, p.xv.
5. Thucydides, *The History of the Peloponnesian War*, translated by Richard Crawley (London: Dent, Everyman’s Library, 1910), p.41; Robert G. Gilpin, “The Richness of the Tradition of Political Realism,” *International Organization* 38-2 (Spring 1984), p.293.
6. Thomas J. Biersteker, “Evolving Perspectives on International Political Economy: Twentieth-Century Contexts and Discontinuities,” *International Political Science Review* 14-1 (1993), p.25.
7. On a self-help system, see Kenneth N. Waltz, *Theory of International Politics* (Reading: Addison-Wesley, 1979), pp.105–107.
8. For a discussion of the forms of sovereignty see Stephen D. Krasner, *Sovereignty: Organized Hypocrisy* (Princeton: Princeton University Press, 1999), pp.9–25.
9. Hans J. Morgenthau, revised by Kenneth W. Thompson, *Politics Among Nations: The Struggle for Power and Peace*, 6th ed., (New York: Knopf, 1985), p.31.
10. Waltz, *Theory of International Politics*, p.126.
11. See Stephen D. Krasner, *Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy* (Princeton: Princeton University Press, 1978); and Michael Mastanduno, David A. Lake, and G. John Ikenberry, “Toward a Realist Theory of State Action,” *International Studies Quarterly* 33-4 (December 1989), pp.457–474.
12. On the “satisficing” terminology see Herbert A. Simon, “A Behavioral Model of Rational Choice,” in Herbert A. Simon, ed., *Models of Man: Social and Rational* (New York: John

- Wiley & Sons, 1957), pp.20–21. For a realist view of satisficing strategies see Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), pp.20–21.
13. Robert Gilpin, *U.S. Power and the Multinational Corporation: The Political Economy of Foreign Direct Investment* (New York: Basic Books, 1975), p.34. See also Waltz, *Theory of International Politics*, p.126; and Joseph M. Grieco, "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism," *International Organization* 42-3 (Summer 1988), p.498.
  14. Tony Evans and Peter Wilson, "Regime Theory and the English School of International Relations: A Comparison," *Millennium* 21-3 (Winter 1992), p.330.
  15. Robert W. Cox, *Production, Power, and World Order: Social Forces in the Making of History* (New York: Columbia University Press, 1987), p.6.
  16. See Kenneth N. Waltz, "The Myth of National Interdependence," in Charles P. Kindleberger, ed., *The International Corporation* (Cambridge: MIT Press, 1970), pp.222–223; Janice E. Thomson and Stephen D. Krasner, "Global Transactions and the Consolidation of Sovereignty," in Ernst-Otto Czempiel and James N. Rosenau, eds., *Global Changes and Theoretical Challenges: Approaches to World Politics for the 1990s* (Lexington: Heath, 1989), p.197.
  17. Andrew Hurrell and Ngaire Woods, "Globalisation and Inequality," *Millennium* 24-3 (1995), p.458.
  18. Adam Smith used the term *mercantile system*, and German writers during the 1860s used the term *Merkantilismus* to describe this doctrine. Only afterward did the term *mercantilism* become standard in the English language. See Jacob Viner, "Mercantilist Thought," in David L. Sills, ed., *International Encyclopedia of the Social Sciences* (New York: Free Press, 1968), vol.4, p.436; and David A. Baldwin, *Economic Statecraft* (Princeton: Princeton University Press, 1985), p.72.
  19. Jacob Viner, "Power Versus Plenty as Objectives of Foreign Policy in the Seventeenth and Eighteenth Centuries," *World Politics* 1 (October 1948), pp.10, 17; Eli F. Heckscher, *Mercantilism* (London: Allen and Unwin, 1934), vol. 2, p.17.
  20. Adam Smith, *The Wealth of Nations* (London: Dent & Sons, Everyman's Library No. 412, 1910), vol.1, bk.4, p.436.
  21. Robert Gilpin with Jean M. Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987), p.180.
  22. Alexander Hamilton, *The Report on the Subject of Manufactures*, December 5, 1791, in Harold C. Syrett, ed., *The Papers of Alexander Hamilton*, Vol. 10 (New York: Columbia University Press, 1966), p.291.
  23. Friedrich List, *The National System of Political Economy*, translated by Sampson S. Lloyd (London: Longmans, Green 1916), p.130.
  24. David Levi-Faur, "Friedrich List and the Political Economy of the Nation-State," *Review of International Political Economy* 4-1 (Spring 1997), pp.154–178.
  25. List, *The National System of Political Economy*, p.107. On the greater role of government in late industrializers see Alexander Gerschenkron, *Economic Backwardness in Historical Perspective: A Book of Essays* (Cambridge: Harvard University Press, 1962).
  26. Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York: Random House, 1987), p.283.
  27. Michael Mastanduno differentiates realist government officials from scholars in the early postwar period. Although U.S. officials were active in international economic policy and provided leadership in creating the KIEOs, they subordinated their economic initiatives to U.S. security objectives. U.S. realist scholars in the early postwar period, by contrast, devoted scant attention to economic issues, and "analyses of the interplay between economics and security . . . were conspicuous by their absence." (Michael Mastanduno, "Economics and Security in Statecraft and Scholarship," *International Organization* 52-4 [Autumn 1998], p.835.)
  28. Gilpin, "The Richness of the Tradition of Political Realism," p.294.
  29. Gilpin, *The Political Economy of International Relations*, p.xii.
  30. See Gilpin, *U. S. Power and the Multinational Corporation*.
  31. Richard K. Ashley, "Three Modes of Economism," *International Studies Quarterly* 27-4 (December 1983), p.463.
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