

International Economic Policy | 1. US global dominance

1. Since the end of the Second World War, the US has been the dominant capitalist country in the international system. The US has been the global hegemon. As such, it has promoted freer trade, defended liberalism and played a central role in most international institutions.
2. Contrary to the Great Depression (after which new domestic and institutional arrangements were implemented), the outcome of the 2008 financial crisis, and the subsequent Great Recession, has been to reinforce the international status quo and the US dominance.

[The only new international institution created during the crisis, in April 2009, was the Financial Stability Board. It is viewed as the fourth pillar of the global economic architecture, together with the International Monetary Fund, the World Bank and the World Trade Organization. It is debatable whether the rebirth of the G20 was actually successful in managing the financial crisis.]

3. **US hegemony.** There are two sides on the debate on the future of US hegemony.
 - The declinists (Ian Bremmer, Niall Ferguson, Fareed Zakaria, Friedman and Mandelbaum (2012), Panitch and Gindin (2012)). The declinists hold that US power is in relative or absolute decline. Possible explanations are foreign competitors and the characteristics of the global capitalist system.
 - The anti-declinists (Eric Helleiner, Vermeiren (2014), Prasad (2014)). The anti-declinists contend that the US presumed decline has been exaggerated: it is a country that still remains politically stable, economically prosperous and militarily dominant.
4. Brandon Tozzo contends that the main threat to the US hegemony comes from its political system. One of the consequences of the Great Recession has been to extend conflict and political polarization to previously non-politicized issues or to issues over which there existed cross-party consensus: "the crisis has shown the American political system is becoming increasingly unwilling due to politics". What endangers US hegemony and global stability is the US itself.
5. **What transforms rich countries into global powers?** Is the country not turning domestic wealth into international political influence an anomaly? There are two basic theories of foreign policy explaining expansionism.
 - Classical realism (Robert Gilpin, Paul Kennedy, Glenn Snyder, Bruce Bueno de Mesquita, Aaron Friedberg, Hans Morgenthau, Edward Hallett Carr): national power is the most important factor shaping a state's foreign policy. All states have the same goals (essentially, control: territory, first; actions by other states, second; global economy, last), the difference being that richer countries have more means and opportunities (capabilities) to achieve the goals. A variant (state-centred realism) contends that it is not national power that matters to achieve influence but state power, that is, the fraction of national power that governments can actually use and hence determines which goals policy-makers can really fulfil.
 - Defensive realism (John Herz, Stephen Walt, Stephen Van Evera, Jack Snyder) claims that, rather than influence, states seek security. As a result, states expand their interests abroad when threatened (for instance, in times of insecurity or in response to some real or perceived foreign aggression). States do not expand when they can but when they must: a threatening environment is needed to create the incentive to expand.

6. **A paradox of the US hegemony?** The US seems to be undergoing an ‘existential crisis’ (Brandon Tozzo), that threatens its hegemonic stability, despite the fact that it has come out of the Great Recession apparently with fewer problems (social, political, demographic, economic, institutional) than other global powers, like China or the European Union. The election of Trump can be seen as a sign of that crisis. It also has sent the message that his ideology may have enough supporters to gain power in other countries.
7. **A paradox of dominance?** If the global contest for dominance is a zero-sum game, then the resources used by the rising powers are no longer available to the lead states to maintain or expand their dominance. In fact, the economic system created by the dominant powers is used by the challengers to rise: when the profit opportunities become scarce in the lead economies, it becomes an attractive option to invest abroad and that helps less developed economies to develop and close the gap with the richer economies. As it is cheaper to produce in poorer economies, these economies could develop easier and faster by selling their production in the leading economies. Hence, the initial leadership of some economies is accompanied by convergence of the rest of economies.
- “The paradox of power for the USA is therefore that the very economic system that has propelled it on to the world stage also contains within it the potential seeds of its own destruction.” Glenn (2016, p. 2)
8. **Will history repeat itself?** The global economic collapse and international political conflict that accompanied the Great Depression of the 1930s was, to a large extent, caused by the lack of US leadership due to domestic political limitations.
9. **The decline of the US vs the rise of the rest.** “There have been three tectonic power shifts over the last five hundred years, fundamental changes in the distribution of power that have reshaped international life—its politics, economics, and culture. The first was the rise of the Western world, a process that began in the fifteenth century and accelerated dramatically in the late eighteenth century. It produced modernity as we know it: science and technology, commerce and capitalism, the agricultural and industrial revolutions. It also produced the prolonged political dominance of the nations of the West. The second shift, which took place in the closing years of the nineteenth century, was the rise of the United States. Soon after it industrialized, the United States became the most powerful nation since imperial Rome, and the only one that was stronger than any likely combination of other nations. For most of the last century, the United States has dominated global economics, politics, science, and culture. For the last twenty years, that dominance has been unrivaled, a phenomenon unprecedented in modern history. We are now living through the third great power shift of the modern era. It could be called ‘the rise of the rest’.” (Zakaria, 2011)
10. **The rise and fall of great powers appears to be a stylized fact of international relations.** It is a process in which the status quo represented by the dominance of some power is challenged by the emergence of a new power. Basic explanations for the fall are: (i) internal instability; (ii) external over-extension. The basic explanation for the rise is emulation: the states lagging behind the leading powers learn from them how to catch up. In the process of developing and accumulating power, the lead states that first go through this process may attempt several strategies of which some may prove unsuccessful. The less developed or weaker states do not have to replicate failures, since they may just adopt the successful strategies. The laggards do not need to go through all the stages that the leaders initially followed and that allows the laggards to catch up faster and at smaller cost than the vanguard states.

11. The end of the Cold War transformed a bipolar international power system (with the US and the USSR as superpowers) into a unipolar one (with the US as the only superpower).

12. **Global power structures.** Unipolarity (William Wohlforth) is a structure in which one state's capabilities are too great to be counterbalanced. Bipolarity: two states are substantially more powerful than all others, with capabilities not so concentrated to create a global empire. Multipolarity is a structure comprising three or more significantly powerful states.

“The coming world will be both multipolar and politically diverse; it will consist of major powers that embrace distinct conceptions of what constitutes a legitimate and just order.”
Kupchan (2012, p. x)

13. **Three theories/paradigms/traditions in international relations** (Walt, 1998, p. 38)

COMPETING PARADIGMS	Power	Trade	Ideas
	REALISM	LIBERALISM	CONSTRUCTIVISM
Main Theoretical Proposition	Self-interested states compete constantly for power or security	Concern for power overridden by economic/political considerations (desire for prosperity, commitment to liberal values)	State behavior shaped by elite beliefs, collective norms, and social identities
Main Units of Analysis	States	States	Individuals (especially élites)
Main Instruments	Economic and especially military power	Varies (international institutions, economic exchange, promotion of democracy)	Ideas and discourse
Modern Theorists	Hans Morgenthau, Kenneth Waltz	Michael Doyle, Robert Keohane	Alexander Wendt, John Ruggie
Representative Modern Works	Waltz, <i>Theory of International Politics</i> Mearsheimer, "Back to the Future: Instability in Europe after the Cold War" (<i>International Security</i> , 1990)	Keohane, <i>After Hegemony</i> Fukuyama, "The End of History?" (<i>National Interest</i> , 1989)	Wendt, "Anarchy Is What States Make of It" (<i>International Organization</i> , 1992); Koslowski & Kratochwil, "Understanding Changes in International Politics" (<i>International Organization</i> , 1994)
Post-Cold War Prediction	Resurgence of overt great power competition	Increased cooperation as liberal values, free markets, and international institutions spread	Agnostic because it cannot predict the content of ideas
Main Limitation	Does not account for international change	Tends to ignore the role of power	Better at describing the past than anticipating the future

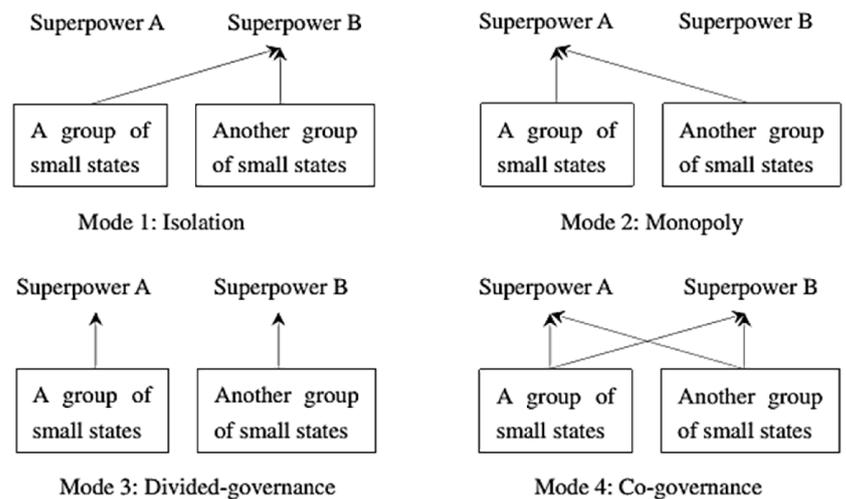
14. **Hegemony vs war.** In the realist view, great powers are constantly concerned with the distribution of power, trying to change it in their favour. The pursuit of international primacy (hegemony) by any state serves three goals: ensure security, promote their own interests, shape the international environment to their advantage. The importance of primacy is that it allows a state to achieving its goals without recourse to war (since, in this view, states are always willing to use force to increase their power if they think the price to be paid is acceptable).

15. US vs China. “Three main paths from these scenarios would then open up: one leading to conflict—most likely through regional disputes rather than full confrontation (given that both are nuclear weapon states); another leading to the development of two separate and antagonistic systems; and a final path that promises a peaceful transition to a Chinese-led world order.” Glenn (2016, p. 219)

16. How different is the new order going to be? “The preservation of the Western order requires that the advance of modernization in the developing world produces a homogenous community of nations along Western lines. The problem is that the defining attributes of the West—liberal democracy, industrial capitalism, and secular nationalism—are not being replicated as developing regions modernize. To be sure, capitalism has demonstrated its universal draw. But most rising powers—China, India, Turkey, and Brazil among them—are not tracking the developmental path followed by the West. They have different cultural and socioeconomic foundations, which give rise to their own domestic orders and ideological orientations. Accordingly, emerging powers will want to revise, not consolidate, the international order erected during the West’s watch.” Kupchan (2012, p. 7)

17. Sino-US interaction (rising vs established power): Thucydides trap, Churchill trap or co-ruling?

“The ‘Thucydides trap’ is in a large part an induction of historical experiences on great power politics. In the contemporary era, however, there is small risk of all-out war between a rising power and a hegemonic power. By contrast, the ‘Churchill trap’, whereby the superpowers fall into a long-term

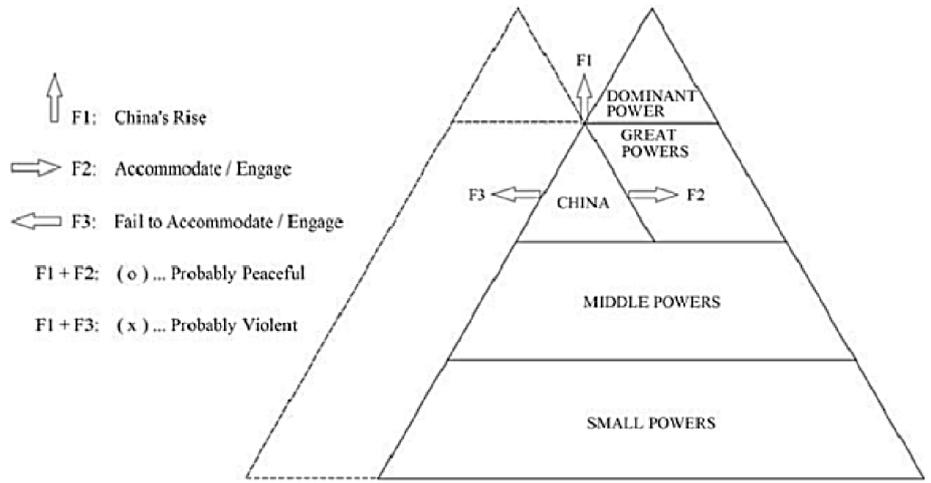


confrontation reminiscent of that between the US and the Soviet Union during the Cold War, presents a genuine risk and one that should be taken far more seriously (...) there is a third type of great power relationship between the two poles, which I call ‘co-ruling’, whereby rather than being geographically demarcated according to their respective ‘spheres of influence’, the two superpowers jointly lead all or most of the small and medium-sized countries in the system.” Yang (2018)

18. Is the future multipolar? “At its peak, U.S. dominance spread to effectively all areas, shaping the global power balance. It was the largest production power, trade power, technological power, financial power, and military power, as well as, of course, the most influential player in global politics. In the new brave world of the early twenty-first century a single nation—be it America, China, or anyone else—is no longer capable of being a champion in all these areas across the board. The world is becoming more and more multipolar and, consequently, increasingly difficult to lead.” Tselichtchev (2012, p. 207)

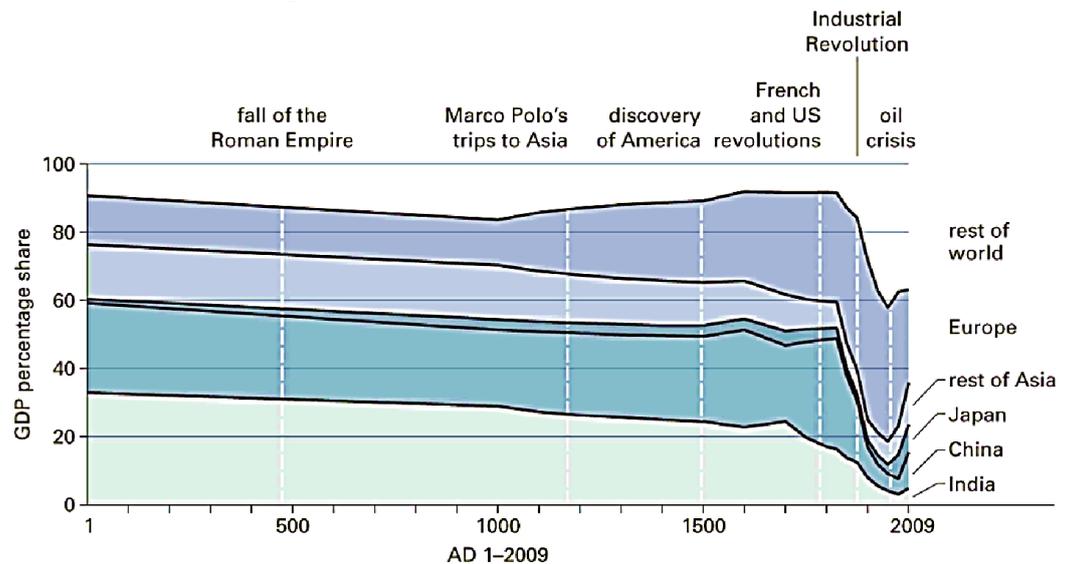
19. Power transition theory (A.F.K. Organski). It is a theory (alternative to the balance of power and collective security theories) that has been used to describe, analyze and predict the power interactions between a dominant but relatively declining power (the US) and a rising challenger (China). The theory represents the international system as a power hierarchy with

- a dominant state at the top of the hierarchical structure controlling most of the power resources;
- the other great powers below the dominant power: states with the potential to become rivals to the dominant power;
- the middle powers, states that are relatively powerful at a regional level; and
- small powers and 'colonies' at the bottom of the hierarchy.

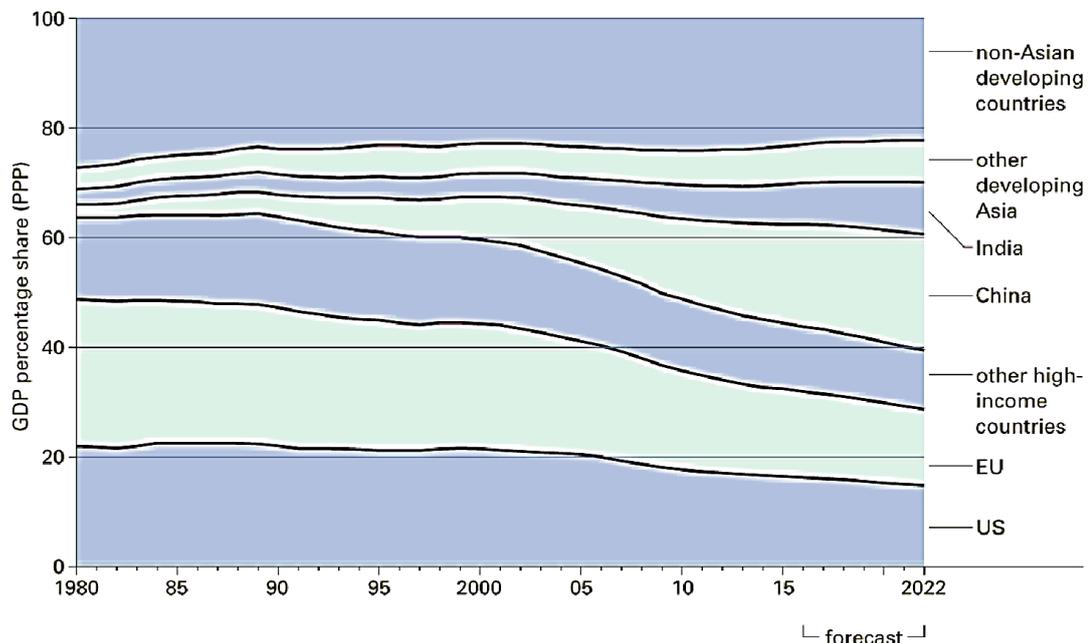


Kai (2017, p. 39)

Violent conflict, or even war, is most likely to arise when some great power becomes increasingly powerful and dissatisfied with the existing hierarchy or the alliance with the dominant power and challenges the status quo to change the rules or the hierarchy to the challenger's advantage. The chances of a power transition war increase with three factors: (i) the power potential of the emerging power; (ii) the speed with which the emerging power rises; and (iii) the flexibility with which the dominant power can meet the challenge of the rising power.



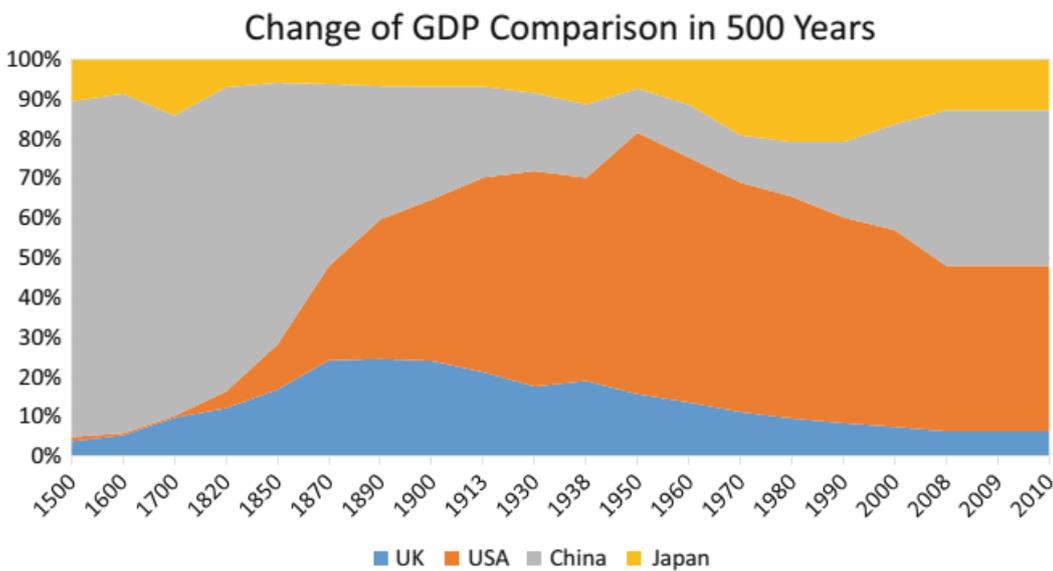
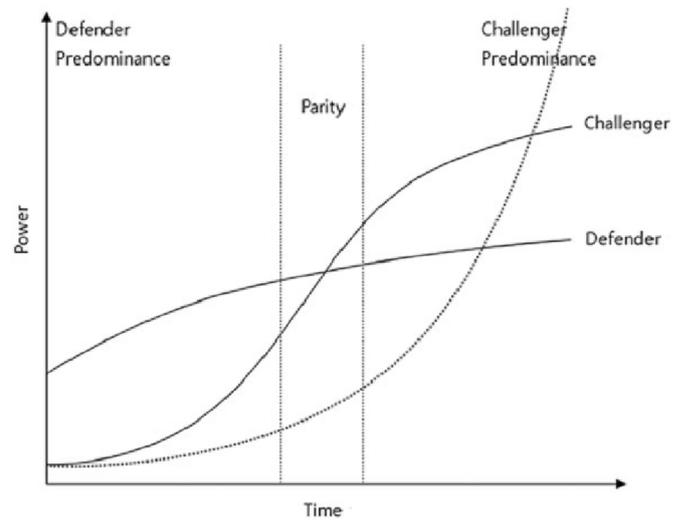
Mahubani (2018)



20. Central dilemma of international relations. E. H. Carr has identified the 'problem of peaceful change' as the central dilemma of international relations.

Power transition between UK and US in the 1940s, Kai (2017, p. 66)

Below, Kai (2017, p. 59)



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