

LEADING QUESTIONS

How Hegemony

Affects the International

Political Economy

Robert Pahre

MICHIGAN STUDIES IN INTERNATIONAL POLITICAL ECONOMY

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How Hegemony Affects
the International Political Economy

Robert Pahre

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Leading Questions: How Hegemony Affects the International Political Economy

for Jennie

Preface

This book was shaped by three departments of political science—at the University of California at Los Angeles, the University of Rochester, and the University of Michigan. My first intellectual debts were incurred at UCLA, which I attended during a remarkable period in the department's history. As I arrived, the department hired a large cohort of young, intellectually vibrant assistant professors, many of whom were interested in political economy. Some were formal theorists, others were sympathetic to the approach, and a few were constructively critical. All shared an interest in history and a concern for applying political science to historical problems. Not only were they a great group under whom to study, but they also created a supportive community of graduate students who were critical through the genesis of this project.

Much of this book began as a dissertation under the supervision of David Lake. He has read the manuscript more often than anyone but me, and his comments and advice have been invaluable. Anyone familiar with his work will see his influence throughout this book.

There would be no formal theory in this book without Michael Wallerstein, who spent many hours one summer teaching me some of the tools of the trade. He also saved me from more than one slipshod result. Those that remain I thought up all by myself.

Jack Hirshleifer always managed to have my ideas five or ten years before me, and I benefited from his insights and from being able to build on his work. Richard Rosecrance, an open-minded skeptic of formal theory, always had the uncanny ability to drop damaging historical evidence in my lap. Arthur Stein was a shadow member of my dissertation committee whose theoretical playfulness inspired my development of variations on a single model. Jeffry Frieden put up with a year of the project in UCLA's workshop on international political economy and gave me devastating critiques of several early chapters. Cheryl

Schonhardt-Bailey, a fellow student at the time, also tore several chapters to shreds. All made this work much stronger.

The University of California's Institute for Global Conflict and Cooperation provided dissertation funding. The IGCC Fellows' Conference also forced me to think about how to make the project comprehensible—and perhaps even interesting—to historians, sociologists, and political scientists highly skeptical of positive theory, let alone rational-choice theory.

After UCLA, I landed at the University of Rochester, where I unwittingly began an immersion course in formal theory. I presented several chapters there and benefited from comments by David Austen-Smith, Jeff Banks, Bruce Bueno de Mesquita, Randall Calvert, John Mueller, William Riker, and Lawrence Rothenburg. I also inflicted my work on graduate students, especially Matthew Gabel, David Hayes, Fiona McGillivray, and Alistair Smith. I hope that their contributions to improving this manuscript show that they did not suffer in vain.

After a few years at Rochester, I moved on to the political science department at Michigan. In addition to providing a congenial place to get work done, that department's emphasis on empirical work has improved this book. The university's Rackham Graduate School financed invaluable research assistance from Jose-Raúl Perales Hernandez for chapter 8. I am also grateful for Jennifer Shulman's thorough research assistance in chapters 6 and 10. Gerald Schneider (of the University of Konstanz) and I jointly developed the research design behind the Trade Agreements Database described in appendix B.

Some of the ideas here were presented in the Junior Faculty Seminar at Michigan, where I benefited from comments by Chris Achen, Bear Braumoeller, Pradeep Chhibber, and Doug Dion. Several colleagues had the misfortune of running across me when I needed to thrash something out; though they may not remember the occasions, these conversations with Robert Axelrod, Pradeep Chhibber, John Huber, and Charles Myers were very helpful.

Parts of this book have also been presented at the University of California at San Diego, the University of Chicago, the University of Iowa, and various meetings of American Political Science Association and the International Studies Association. At the risk of leaving out people whose faces I did not recognize at the time, I would like to express thanks for comments from John Conybeare, Peter Cowhey, Gary Cox, James Fearon, Gary Jacobson, James Lindsay, Charles Lipson, and James Morrow. I would especially like to thank the intrepid souls who read the penultimate draft of this book in its entirety and gave thorough and insightful comments: Robert Axelrod, Svetla Dalbokova, Doug Dion, Don Herzog, Paul Huth, and two careful readers for the University of

Michigan Press. Charles Myers, editor at the University of Michigan Press, also provided many helpful suggestions throughout.

Finally, there are a lot of vagaries in the world of a graduate student and assistant professor. Jennie has not only borne these uncertainties but encouraged me throughout the writing of this book. It is for her.

Contents

Part 1. Introduction

Chapter 1. Leadership and Hegemony	3
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Part 2. Hegemony and Collective Goods

Chapter 2. A Collective-Goods Model of International Interdependence	23
Chapter 3. Stackelberg Leadership and Public Goods	39
Chapter 4. Predatory Hegemony: The 1920s	51
Chapter 5. Security Concerns and Foreign Economic Policy	73
Chapter 6. The Rise of Free Trade in Britain, 1815–1853	91

Part 3. Hegemony and Cooperation

Chapter 7. Bargaining and Cooperation	123
Chapter 8. Hegemony and Commercial Negotiations, 1815–1913	149
Chapter 9. Multilateral Cooperation	177
Chapter 10. From Malevolence to Multilateralism, 1945–1967	189

Part 4. Conclusions

Chapter 11. The Future of International Leadership	223
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Appendixes

Appendix A. A Political Support Model of Trade 237

Appendix B. Data Sources 245

References 247

Index 269

Figures

1. Hegemonic Decline: U.S. Share of Great-Power GNP	67
2. Tariffs in Nineteenth-Century Britain	100
3. British Trade Volumes	100
4. British Openness and Tariffs, 1850–1913	155
5. Trade Treaties in Effect, 1815–1913: Britain, France, and Italy	159
6. Trade Treaties in Effect, 1815–1913: Austria, Britain, and Germany	159
7. British Economic Cooperation with Western Europe, 1815–1913	161

Tables

1. Imports as a Function of Foreign and Home Resources	61
2. Imports as a Function of Foreign and Home Resources, with Germany	62
3. GNP Ratios and U.S. Openness	65
4. Hegemony and Global Trade: Tests of the Conventional Theory	66
5. Hegemonic Decline?	67
6. The Military-Openness Trade-off	95
7. Foreign Reactions to British Liberalization: Changes in Legislated Tariffs	104
8. British Openness	112
9. Alliance Leadership and Military Spending	113
10. Hegemony and Cooperation	145
11. The Concentration Hypothesis, 1866–1913	152
12. Defensive Alliances and Trade Treaties: United Kingdom, 1815–1913	165
13. Formal Ententes and Trade Treaties: United Kingdom, 1815–1913	165
14. Defensive Alliances and Trade Treaties: France, 1815–1913	165
15. Formal Ententes and Trade Treaties: France, 1815–1913	165
16. Neutrality Alliances and Trade Treaties: France, 1815–1913	165
17. Anglo-French Ententes and Trade Treaties, 1815–1913	166
18. Quantitative Tests of the Bargaining Theory	168
19. The Effects of French Alliances and Trade Treaties on British Imports	169
20. Hegemony and Cooperation	225

Part I

Introduction

CHAPTER I

Leadership and Hegemony

Journalists, historians, policymakers, political scientists, and other observers of international affairs use the term *international leadership* frequently and in many different contexts. Historians refer to British leadership in the days of empire, political scientists talk about John F. Kennedy's and George Bush's leadership of the international community, journalists and policymakers ask whether Germany and Japan are ready to take their position as global leaders or whether the United States is still willing and able to lead the international system.¹ A dominant nation's leadership of the international order may also be a recurrent feature of world politics (Carr 1939; Gilpin 1981; Keohane 1984; Modelski 1987; Organski 1968).

Moreover, leadership is apparently required to resolve many international problems. It long seemed that ending the wars of the Yugoslav succession, for instance, would require American leadership (if you were European) or European leadership (if you were American); either or both leaders would also require the assistance of Russian leadership (if you were Russian). The success of the World Trade Organization (WTO) or of international monetary coordination in the G-7 allegedly requires American leadership, perhaps with Japanese or European assistance. Further integration of the European Union is said to hinge on German leadership, on Franco-German leadership, or on an absence of German leadership—on just about anything except British leadership.

Political scientists often substitute the term *hegemony* for leadership.²

1. For introductions to these literatures, see Calleo 1987; Kennedy 1987: 438–535; Krauthammer 1992; Nau 1990; Romberg 1992; Rosecrance 1986; Rosecrance and Taw 1990; Scalera and Kahn 1976.

2. One might distinguish hegemony as a structural variable from leadership as a behavioral variable. This leads some theorists to ask how structural power is made manifest as leadership, through “force activation” (Keohane 1984). Such an approach risks tautology because we only know that force has been activated when we observe leadership behavior. I prefer to get the structural story right first. For this reason, I use the terms *hegemony* and *leadership* interchangeably.

Most define a hegemon as a state with predominant power in the international system, measured in terms of that state's share of world gross domestic product (GDP) or other material resources. Theorists use hegemony to explain developments in the international economy since World War II, arguing that American leadership of the Pax Americana resembles the Pax Britannica of the nineteenth century. According to the conventional wisdom, a hegemonic United States established the General Agreement on Tariffs and Trade (GATT, now WTO), the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD, World Bank), the United Nations (UN), the Organization of Economic Cooperation and Development (OECD, née CEEC and then OEEC), and a host of other international regimes. These regimes in turn supported the system of freer trade enjoyed in the developed world since the late 1940s (see *inter alia* Keohane 1984; Krasner 1976; Ruggie 1983, 1992).

Reasonable as this argument sounds, the evidence for it is not strong. Several qualitative studies find evidence supporting the theory (e.g., Aggarwal 1985; Brawley 1993; Lake 1988), while others reach more ambiguous conclusions (Cowhey and Long 1983; Keohane 1980, 1984; Laitin 1982; Lawson 1983; Odell 1982). Quantitative tests also obtain ambiguous results if not outright falsifications of the theory (Conybeare 1983; Krasner 1977; Mansfield 1992, 1994; Martin 1992: 86–90; McKeown 1983, 1989, 1991). One major developer of the theory admits that the empirical evidence is “weak, and even its chief adherents have doubts about it” (Keohane 1984: 38).

Despite the scanty evidence, how hegemony matters remains a leading question in the field of international relations. The subject of hegemony is important across a wide range of theoretical perspectives, from Realism to Marxism (see Keohane 1984, 1986b; Organski 1968: 355–76; Sylvan 1981). Realists argue that a hegemon persuades other states to create an open international economy, even in a world of power-seeking states that find themselves in an anarchic international system (Gilpin 1981; Keohane 1984; Krasner 1976; Lake 1983, 1984, 1988; Rapkin and Avery 1982; Stein 1984). Marxists see hegemony as a recurring feature of the world-system by which the capitalist class in the core of the world economy exploits both its own workers and the peoples of other countries through its control of international finance, money, trade, and ideological production (Braudel 1979; Chase-Dunn 1981, 1982; Wallerstein 1974, 1979, 1989). Liberals see the hegemon as a guarantor of international cooperation and as a state that can help other states overcome problems of collective action (Keohane 1984; Kindle-

berger 1973, 1976, 1981).³ Despite these differences, the central propositions across all perspectives are that hegemony leads to international order and that continued hegemony is sufficient for that order to continue.⁴

These perspectives differ on whether this hegemonic order is good or bad for the international community;⁵ of course, some scholars admit shades of gray between the extremes of a purely malevolent or a purely benevolent leader. In hegemony as in kindergarten, goodness and badness are defined in terms of the leader's effects on others. A benevolent hegemon does things that are good for the rest of the world, while a malevolent hegemon hurts everyone else.⁶ In other words, what matters is the counterfactual question: would everyone be better or worse off if the leader were just like the nonleaders in the system?

This is the central question of this book. The short answer is that leaders are both malevolent and benevolent but at different times and under different conditions.⁷ Leadership has been benevolent in some periods (1815–54) and malevolent in others (1919–33, 1944–46). In other cases, such as 1870–1914 and 1946–67, I must move beyond the simple distinction between malevolence and benevolence to understand leadership.

Answering this leading question presents many problems. It is difficult to imagine a persuasive empirical demonstration that a leader's actions were good (or bad) for others because the appropriate baseline for comparison is not clear. Either claim rests on a historical counterfactual, raising problems of its own (James Fearon 1992). While I will often make counterfactual arguments in this book, I use other indirect tests of malevolence as well. For example, this question of malevolence or benevolence leads me to examine how states react

3. For definitions of these three theoretical perspectives and an overview of their strengths and weaknesses, the locus classicus is Gilpin 1975. Citing Keohane's work as both Realist and Liberal was not accidental; see Keohane 1986b.

4. There is also a consensus among non-Marxists that hegemony is not necessary to maintain an international order if a small group of large states cooperates (Keohane 1984; Snidal 1985b).

5. Snidal (1985b) argued forcefully that this is the central division in the literature. He called bad leaders "coercive," but I prefer the verbal parallelism of "malevolent."

6. One might also ask whether leadership is good for the leader, though almost everyone assumes that it is. For example, the literature on dominant nations and challengers (i.e., Organski 1968: chap. 14; Gilpin 1981; Brawley 1993) assumes that leadership of an international order is a prize worth winning. Still, a leader might have an interest in not leading, perhaps due to "relative gains" (Stein 1984) or particular features of the monetary system (see Eichengreen 1985, 1987).

7. This study is limited to the period from 1815 to 1967. For some different approaches to hegemonic theory that include earlier periods, see Brawley 1993; Gilpin 1981; Wallerstein 1974, 1979.