

# Hegemonic Stability Theory

- **The hegemonic stability** theory is a “hybrid” theory that draws on the realist, liberal and historical structuralist perspectives=>cannot be neatly categorized.
- Hegemonic stability theory asserts that a relatively open and stable international system is most likely when there is a single dominant or hegemonic state that
  1. has a sufficient large share of resources that it is *able* to provide leadership
  2. is *willing* to pursue policies necessary to create and maintain a liberal economic order.
- The hegemon must follow policies that other major actors believe are relatively beneficial.

# What are the motives and strategies of hegemonic states?

- 3 different models of hegemony
  1. The hegemon is interested in promoting generalized benefits than its self-interest and relies on rewards rather than coercion to ensure compliance by other states => **benevolent hegemon** is concerned with the absolute gains of states
  2. The hegemon has an interest in general as well as personal benefits and relies on coercive methods when necessary to achieve its objectives=>**mixed motives and strategies hegemon** is concerned with both absolute and relative gains.
  3. The hegemon is interested in own self-interest and uses coercion to enforce compliance => **exploitative hegemon** is more concerned with relative gains.

- According to liberals the hegemon is in most cases benevolent => the hegemon is willing to provide public goods in order to create and maintain open, stable economic order.

## Public goods

have 2 characteristics:

1. They are **nonexcludable**: others can benefit from the good even if they do not contribute to its provision (sidewalk, lighthouse, defense...)
2. They are **nonrival**: one individual's (state's) use of the good does not seriously decrease the amount available to others.

Private goods are both excludable and rival (a pair of shoes, a book, a DVD...).

## Examples of collective goods

- Although free trade is not a public good (it is rival and excludable), the enforcement of trade rules –the Most-Favored-Nation (MFN) principle of nondiscrimination and unconditional reciprocity is
- GATT and IMF are public goods only to their members, but a trade war or unstable monetary system would harm everyone (even the Soviet Union took advantage of a stable international monetary system)
- Stable international currency (because it facilitates commerce from which everyone can benefit)
- Security

- Realists are more inclined to portray the hegemon as having mixed motives and strategies => the hegemon provides public goods to further her national self-interest rather than the general good (an open international system contribute to her rate of economic growth, national income and political power) and might use coercion (threaten to cut off trade, investment and aid) to force other states to share the costs of their provision.

However,

**the overall effects of hegemony are beneficial.**

# Is hegemony necessary and/or sufficient for an open economic system?

- According to the realists the existence of a hegemon increases the likelihood that there will be an open and stable international economy => hegemony is both necessary and sufficient for an open economic system.

**Necessary:** hegemon promotes openness and stability by helping create and maintain liberal international **regimes** => a degree of governance above the nation-state level exists in specific areas of international relations in an anarchic international system.

Example: The USA as global hegemon a) played a major role in creating and maintaining open and stable monetary, trade and aid regimes; b) gave other states the incentive to abide by the regime principles, norms, and rules (yes, true: the USA used both rewards and coercion).

**Sufficient:** open and stable economic regimes are more difficult to maintain if a hegemon is declining or there is no hegemon.

Evidence:

- British hegemony in the 19<sup>th</sup> was a major factor contributing to trade liberalization.
- The decline of British hegemony after 1875 led to a decline in free trade.
- The lack of a hegemon in the interwar years resulted in increased protectionism culminating to the Great Depression.
- The emergence of the USA as a global hegemon after WWII resulted in the reemergence of an open and stable international economic regime.



- A number of studies question the assumption that hegemony is necessary and sufficient.

Some argue that international actors can and do provide goods for themselves through bargaining, mutual cooperation, and the punishment of cheaters. So the appropriate model for the international economy is that of the Prisoners' Dilemma or the collective action problem and not the existence of a hegemon.

- The hegemon **performs several roles** crucial to the operation of the world economy
  1. must maintain a stable international economy.
  2. uses its influence to create international regimes, and enforces rules of liberal economy.
  3. must prevent cheating and free riding and encourage others to share the costs of maintaining the system.  
exploiting others
  4. must encourage states that at least initially would lose from free trade to remove their trade barriers.
  5. the growth and dynamism of the hegemonic power serve as an example of the benefits of the market system and perform as an engine of growth for the rest of the system
  6. its imports stimulate the growth of other economies<sub>0</sub>

## Means of leadership

1. The relatively large size of its market is a source of considerable power and enables it to create an economic sphere of influence
  2. The central role of its currency in the international system provides it with financial and monetary power
  3. The flexibility and mobility of its economy
- Hegemonic conditions have occurred
    1. Under Britain in the 19<sup>th</sup> century
    2. Under the United States in the 20<sup>th</sup> century
    3. Under the United Provinces (the present-day Netherlands) in the mid-17<sup>th</sup> century (but its international power was not comparable to British and American influence).

# Hegemonic decline

- The hegemon loses its will and its ability to manage the system

## Domestic reasons:

- a. Both public and private consumption and the costs of defending the system militarily rise relative to national savings and productive investment
- b. The hegemon grows weary and frustrated with the free riders and the fact that its economic partners are gaining more from liberalized trade than it is

## External reasons:

More efficient, dynamic, and competitive economies rise that undercut the hegemon's international position and the economic surplus that had financed the cost of global hegemony.

- When a global hegemon is declining in power, economic openness and stability are more difficult –but-not impossible- to maintain.

# Is the US hegemony declining?

**Declinists:** hegemony is inherently unstable and according to Koehane “one of the most important features of American hegemony was its brevity”.

- Reasons for US hegemonic declines
  1. Its tendency to overextend itself in both military and economic terms
  2. The tendency of free riders to gain more from economic openness than the USA does
  3. The emergence of more dynamic and competitive economies that challenge the USA’s predominant position.

**Renewalists:** although USA's economic power of has declined in relative terms since 1945, this fact has not had a significant effect on USA's hegemony

- USA is still the hegemon because:
  1. is quite self-sufficient in energy and raw material
  2. has the lead on R&D
  3. is the leader in telecommunication and information technology
  4. has attracted vast amounts of foreign capital
  5. has flexible labor market
  6. has skilled and unskilled labor immigration
  7. US television, movies, and magazines have an enormous effect on cultural tastes and habits around the world.

# Structural Change and Hegemonic War

- The rise and decline of the hegemon is an important determinant of structural change.

## Gilpin's Modern Hegemonic Wars

- A hegemon provides system order and stability; but dominance entails new and rising costs; as the costs of hegemony escalate, the hegemon's surplus diminishes, as does its ability to underwrite its overhead costs.
- The ongoing diffusion of economic, technological, and military advantage also works to erode the hegemon's relative position.
- The hegemonic wars involve contests between declining dominant powers and ascending challengers that determine who will govern the system and how it will be governed

Hegemonic War	Duration	Comments
Thirty Years' War	1618-1648	Habsburg bid defeated
Wars of Louis XIV	1667-1713	French bid defeated
French Revolutionary/ Napoleonic Wars	1792-1814	French bid defeated; Britain emerges as hegemon
World War I	1914-1918	1 <sup>st</sup> German challenge defeated
World War II	1939-1945	2 <sup>nd</sup> German challenge defeated; US emerges as hegemon



## Wallerstein and World Wars

- Within the core of the world' economy (Northwestern Europe , 1450-1600/1650) one state occasionally seize the lead in agro-industrial productivity. Superiority in this realm tends to lead to dominance in commerce and finance.
- When one core state is simultaneously dominant in all three sectors, it can be said to have achieved hegemony in the world economy.
- The rise and fall of hegemons is believed to be associated with phases of expansion and contraction in the world economy.
- These periods of expansion and contraction are tied to a 4-phase model of hegemonic ascent and decline.

<u>Hegemonic phases</u>	<u>Alpha cycle</u>	<u>Beta cycle</u>	<u>Gamma cycle</u>
Ascending hegemony	1575-1590		1897-1913/20
Hegemonic victory	1590-1620	-1815	1913/20-1945
World Wars	1618-1648	1792-1815	1914-1945
Hegemonic maturity	1620-1672	1815-1873	1945-1967
Hegemonic state	Netherlands	Britain	United States
Declining hegemony	1672-1700	1873-1897	1967-

*Ascending hegemony*: acute conflict between various contenders for dominance within the core.

*Hegemonic victory*: the next hegemonic power bypasses the declining, formerly dominant power.

*World Wars*: hegemonic succession struggles

*Hegemonic maturity*: economic expansion, and limited conflict.

*Declining hegemony*: contraction, conflict between the hegemon and would be successor(s)

# Organski and Kugler's Power Transition

- The structure of the international system is hierarchical.
  1. *the stage of potential power (Indonesia);*
  2. *the transitional stage (China);*
  3. *power maturity (USA)*
- An **even distribution** of power between contending groups of nations is likely to increase the probability of **war**.
- **Peace** is preserved best when there is an **imbalance** of national capabilities between disadvantaged and advantage nations.
- The source of war is to be found in the differences in **size and rates of growth** of the members of the international system.

- The capacity to disturb the equilibrium of the system is largely dependent on the **base from which the country begins**.
- The **speed** with which modernization occurs in big countries is quite important in disturbing the existing equilibrium.
  - a. If development is slow, the problems arising from one nation's catching up with the dominant one may have a greater chance of being resolved.
  - b. If growth takes place rapidly, both parties will be unprepared for the resulting shift.
- It is a general **dissatisfaction** with its position in the system, and a desire to redraft the rules by which relations among nations work, that move a country to begin a major war.

- Test of Power-Transition Model using probit analysis

$$\text{War} = 12.4 + 7.0 \text{ Relative Power X Growth} + .7 \text{ Alliance Structure}$$

Std.error (2.16) (.43)

D Proportion

Explained (.57) (.06)

Proportion explained: .63 Significance: .0008 N=17