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Source: *International Organization*, Autumn, 1987, Vol. 41, No. 4 (Autumn, 1987), pp. 551-574

Published by: The MIT Press

Stable URL: <http://www.jstor.com/stable/2706758>

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The persistent myth of lost hegemony

Susan Strange

The distinguished Swedish economist, Gunnar Myrdal, once commented ruefully on the failure of social scientists in general and economists in particular to apply the methods of social science to themselves. Why was it, he asked, that they so seldom bothered to ask the sort of questions about their own activities and behavior that sociologists and anthropologists usually asked about tribes and societies remote from the world of the present, either in distance or in time? Why did it apparently never occur to them to investigate the priority given in social science to some issues above others? Why did certain questions absorb the interest of a whole generation or school of academics while others, just as intrinsically puzzling, went unnoticed? Why did academics accept some underlying assumptions, while questioning others? In economics, particularly, the conventional literature taught in thousands of graduate and undergraduate courses shows that most economists tacitly share certain fundamental assumptions about the rationality of buyers and sellers in the marketplace, or about the easy availability of information regarding supply and demand that happen to be convenient for economic argument but which do not always accord with everyday experience.¹

Myrdal's injunction, which could be summarized in the command, "Physician, diagnose thyself!" applies equally to the study of international relations and international political economy. I shall argue that it is high time indeed that we pay much more attention to the sociology of international studies, and especially to the reasons why one particular myth—that of America's lost hegemony—took root so strongly in the United States academic community about fifteen years ago and why it has been so generally and unquestioningly accepted since—so much so that it has even gained

An earlier version of this article was presented to the 30th Annual Conference of the Japan Association of International Relations in Tokyo, October 1986. Helpful comments and suggestions have come from, among others, Steve Krasner, Lars Mjøset, Richard DeAngelis, Jesper Grolin and two anonymous reviewers for this journal.

1. G. Myrdal, *Objectivity in Social Research* (London: Dudworthy, 1970).

International Organization 41, 4, Autumn 1987

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credence in the world beyond North America. I do so because history seems to show that some speciously attractive myths can be extremely powerful, persistent, and dangerous. Think only of the belief that certain old women had supernatural powers and could cast magic spells or put the Evil Eye on people, or the myth that eating an enemy made one strong and virile. Or, thinking again of virility, consider the consequences for wildlife of the pathetic, but still persistent, myth that rhinoceros horn was an aphrodisiac. More recently, there have been no less destructive myths of a more political nature—invented, perhaps, but none the less powerful—for example, that German-speaking people came from a distinct Aryan race; or that Iranian boy-soldiers who undertook suicide missions for their country would go straight to heaven.

In its extreme form, the myth that the United States today is just a little old country much like any other and has, in some sudden and miraculous way, lost its hegemonic power may seem more plausible than do some of these other myths. But when it is subjected to close and searching scrutiny, it is just as far from truth. And unless cool and rational analysis undermines its power to move minds and shape attitudes, it can be every bit as dangerous. In living memory, the optimism of the United States gave Americans and others a vision of a new, better and attainable future for the world; today, the myth of lost hegemony is apt to induce in everybody only pessimism, despair, and the conviction that, in these inauspicious circumstances, the only thing to do is to ignore everyone else and look after your own individual or national interests. Thus, some of the same American contributors to *International Organization* who are personally persuaded of the benefits of more international cooperation and conflict resolution, may paradoxically be contributing to a *less* cooperative environment by subscribing to and perpetuating the myth of lost American power.

Two other fashionable academic notions which have gained rapid popularity, especially in the United States, have multiplied its power and influence. One is the notion, derived from the theory of public goods, that we can explain the lack of international economic cooperation by applying the theory to the behavior of states in conditions of dispersed political power. And the other is the notion—now, I would guess, at the very peak of academic fashion—that Game Theory can be usefully applied to an analysis of state policies in the face of common transnational social and economic problems, including everything from the control of banking to the stabilization of oil prices. When combined with the conviction that the United States has permanently lost its powers of leadership, both fashionable notions offer a speciously convincing explanation—even an excuse—for the present lack of international cooperation and feebleness of international organizations.² Es-

2. See, for example, R. O. Keohane, *After Hegemony*, (Princeton, N.J.: Princeton University Press, 1984), which goes to great pains to explain the simpler versions of game theory. Also

pecially in Game Theory, facts are ignored or overlooked; it is all the easier because the vulgar representations of Game Theory habitually deal with situations in which the “players” are engaged in one game at a time; in which the players are limited to two, or some quite small number; and in which the game is played *in vacuo* and the players are motivated by precise and singular goals. These situations are the very opposite of the reality of international political economy, in which the players (including “bit players”) are engaged simultaneously in a whole series of bargaining games, some domestic and some international, and are motivated by a complex and shifting tapestry of interacting, sometimes contradictory, motivations.

For present purposes, however, I shall confine myself to a critical examination of the two politically important propositions regarding hegemony that these theories supposedly sustain and explain. These are that the United States has lost its hegemonic power over the system, and that this loss is a major reason for the instability and aimlessness of the international political economy. This examination will require attention on the origins of these propositions, a testing of the historical evidence for hegemonic stability theory, and, finally, some discussion of the nature and exercise of power on which the theory implicitly rests. Such assumptions are crucial to explanatory theory because the outcomes in an international society that has no legitimate, overriding authority are necessarily determined by relationships of power and far less by law, custom, or social convention than is the case within national societies.

Contrary to conventional American wisdom, I shall argue that my critique of hegemonic stability theory leads to five quite important concluding propositions. These are:

- The great game of states has changed over the last quarter-century in a very fundamental way, for reasons that are primarily economic, not primarily political.
- In this new great game of states, structural power decides outcomes (both positive and negative) much more than relational power does, and the United States’ structural power has, on balance, increased.
- There has always been an inherent conflict in U.S. foreign policy between its goals of liberalism for the pursuit of its commercial and financial interests and the exigencies of realism in the pursuit of political and military national interests. Now, in a world depression, perceptions of U.S. national interests are more apt to be perceived in terms of the short run than of the long, so that “realism,” “unilat-

D. Snidal, “Hegemonic Stability Theory Revisited,” *International Organization* 39 (Autumn 1985). He follows a comprehensive review of the theory with the cautious verdict that game theory is “a useful beginning rather than a reliable conclusion.”

eralism,” or “domesticism” in U.S. policy is now much more evident than liberal internationalism.³

- The use of hegemonic structural power in ways that are destructive of international order and cooperation has been an important cause of world economic instability and continuing crisis.
- A necessary condition, therefore, for greater stability and cooperation lie within the United States, rather than in the institutions and mechanisms of international cooperation.

These conclusions support, though on somewhat different grounds, arguments made by Bruce Russett, Giovanni Arrighi, and Stephen Gill.⁴

Origins

The theories I shall challenge do not constitute a single body of homogeneous or consistent ideas. Rather, they are a bundle of concepts and explanations centering around the notion of the role of the hegemon or leader, the dominant state in an international system, and the connection between the hegemon and the stability of that system. First of all, the concept of hegemony is loose and ambiguous regarding both its attributes and its application. Opinions differ as to how you can recognize a hegemon, and on how hegemons use their power.

Many contributions to the literature have chosen indicators that are either irrelevant (monetary reserves, trade as a proportion of GNP) or imprecise (share of world trade, share of world GNP, production of raw materials or manufactures). Russett has usefully made the valid distinction between a state's power base and its control over outcomes.⁵ It follows that while one may look for quantitative indicators of the former, control over outcomes can only be inferred from historical evidence—a more difficult task. Hegemonic stability theory, as it is referred to, has been advanced both as a general law applicable to widely separated periods of world history and as a specific explanation for the difficulties of our own times. The theory takes two forms: a “strong” version, which says that a hegemon will produce order

3. “Domesticism” is the term used by Henry Nau in his exchange with Fred Bergsten, “The State of the Debate: Reagonomics,” *Foreign Policy* 59 (Summer 1985). “Unilateralism” is used by Pat Sewell in “The Congenital Unilateralism and Adaptation of American Academics,” paper presented at the annual conference of the American Political Science Association, September 1986.

4. B. Russett, “The Mysterious Case of Vanishing Hegemony; or Is Mark Twain Really Dead?” *International Organization* 39 (Spring 1985). G. Arrighi, “A Crisis of Hegemony,” in Samir Amin et al., *Dynamics of Global Crisis* (London: Macmillan, 1982); S. Gill, “U.S. Hegemony: Its Limits and Prospects in the Reagan Era,” *Millennium* 15 (Winter 1986). A useful work still in progress is Lars Mjølset's forthcoming *Modern Hegemonies Compared* (University of Oslo, Department of Sociology).

5. Russett, “Is Mark Twain Really Dead?” p. 208 ff.

and stability in the world—and, more specifically, order and stability in an interdependent world economy—when it uses its power to enforce order on others; and a “weak” version, which says that hegemonic power is a necessary, but not always a sufficient, condition for order. In other words, the presence or absence of a hegemon only partially answers why order and stability have prevailed at some times in the international economic system and disorder and instability at others.

One reason is that we have not clearly understood the alternative ways hegemons exercise power and the alternative uses to which their power may be put. Duncan Snidal has made the useful distinction between hegemony that is beneficent (that is, exercised by example and persuasion); hegemony that is beneficent but exercised by coercion; and hegemony that is coercive and exploitative.⁶ Russett concludes that the United States at its hegemonic peak did use coercive power to exploit the system, but it also beneficently paid some of the costs to bring about postwar economic prosperity. The notion that international “regimes” sustain order has also been associated with the role of the hegemon. These regimes are more than the international institutions set up to administer or facilitate multilateral cooperation, though the institutions like the GATT (General Agreement on Tariffs and Trade) or the International Monetary Fund (IMF) often reflect as well as serve the regime. The word “regime” embraces the customs and habits of behavior that, together with the formal agreements and institutions, provide a measure of continuity and stability in relations of states and of other transnational actors, such as corporations and banks.⁷ For many American scholars, it seemed no accident that the decline of order in the world economy and its financial system coincided in the mid-1970s with a time of weakness and humiliation in the conduct of United States foreign policy and, as many of them came to think, of American power.

Thus, the popularity of this set of theories began to grow about the time of the break-up of the convertible dollar and the gold exchange system at the beginning of the 1970s and the publication of Charles Kindleberger’s scholarly study, *The World in Depression*.⁸ This historical analysis challenged the rather U.S.-bounded interpretation of the causes of economic depression in the 1930s that had been expounded in the monumental study by Milton Friedman and Anna Schwarz, *A Monetary History of the United States*.⁹ Friedman and Schwarz had heavily emphasized the weaknesses of U.S. monetary regulation (as in the freedom to deal in shares on margin) and the

6. Snidal, “Hegemonic Stability Theory Revisited.” Cf. R. Gilpin, *U.S. Power and the Multinational Corporation: The Political Economy of Foreign Direct Investment* (New York: Basic Books, 1975), p. 34.

7. S. Krasner, ed., *International Regimes* (Ithaca, N.Y.: Cornell University Press, 1983).

8. C. P. Kindleberger, *The World in Depression, 1929–1939* (London: Allen Lane, 1973).

9. M. Friedman and A. Schwarz, *A Monetary History of the United States 1867–1960* (Princeton, N.J.: Princeton University Press, 1971).

perversity of U.S. monetary management by the Federal Reserve Board at crucial moments in the crisis years 1929–31. John Kenneth Galbraith, too, in *The Great Crash*¹⁰ had emphasized the folly of American bankers and the weakness and vacillation of American politicians and officials.

No, said Kindleberger, there was more to it than that. Commodity prices had started falling in 1927 and soon afterwards the flow of funds to primary producing countries had begun to slacken. But instead of acting in a counter-cyclical fashion, the United States had allowed the Wall Street boom to draw U.S. funds back from Europe, had raised protectionist barriers and had failed to support its banking system when panic set in. What such an integrated financial system really needed at such times of crisis, said Kindleberger, was a leader, or hegemon, which would maintain an open market for other countries' surpluses, especially in primary products. The hegemon would also maintain a steady outflow of capital for productive investment and, as an international lender of last resort, would keep an open discount window for distressed banks. These were functions that Britain had fulfilled before World War I and America after World War II. But between the wars, Britain, herself in trouble, was no longer able to take this role and the United States was unwilling to do so. Hence the prolonged depression of the 1930s.¹¹

Another contribution to this beguiling edifice of argument was made by Robert Gilpin in a neat study rather misleadingly titled *The United States and the Multinational Corporation*.¹² Setting a trend in academic exposition, Gilpin described and explained the different approaches to world politics taken by liberals, mercantilists (realists, in political terms), and Marxists.¹³ He went on to make a realist argument, based on an interpretation of Britain's long decline, that the United States should avoid making the same mistakes of investing heavily overseas to the detriment of its own national economy. Hegemonic power, Gilpin's argument said, brought about its own destruction as the outflow of precious capital sustained the economic development of rival states at the expense of the hegemon's own economic base. The argument (later referred to as the hegemon's dilemma) appealed strongly to American liberals, who are traditionally suspicious of big busi-

10. J. K. Galbraith, *The Great Crash, 1929* (London: Deutsch, 1980).

11. C. P. Kindleberger, *World in Depression*, pp. 291–94. Walt Rostow (ironically in agreement with much neo-marxist analysis) has also emphasized the global and systemic rather than the narrowly domestic causes of the interwar depression; W. W. Rostow, *The World Economy: History and Prospect* (Austin: University of Texas Press, 1979), and other works.

12. Gilpin, *U.S. Power and the Multinational Corporation*.

13. The trend has been followed in many university courses on international relations. See R. Little and R. D. McKinlay, *Global Patterns and World Order* (London: Frances Pinter, 1979), and the earlier *Readings for an Open University World Politics* course, edited by R. Little, M. Shackleton; and M. Smith, *Perspectives on World Politics: A Reader* (London: Croom Helm, 1981). See also M. Barratt Brown, *Models in Political Economy* (London: Frances Pinter, 1986) and M. Staniland, *What is Political Economy?* (New Haven, Conn.: Yale University Press, 1985).

ness and critical of the part played by American corporations in Latin America.¹⁴

Gilpin's argument has recently been refined and reinforced by a much more generalized (and thus more susceptible to question) piece of theorizing by American economist Mancur Olson in the grandiosely titled *The Rise and Decline of Nations*.¹⁵ In *The Logic of Collective Action*, Olson had earlier developed an austere line of economic reasoning about free riders and the provision of public goods. He explained how America's allies could continue to act with impunity as free riders on the security provided by the Western alliance, leaving the United States to pay the lion's share of the defense bill.¹⁶ Encouraged by this success, Olson then embarked on economic history with a new general theory. The enjoyment of hegemonic power, Olson argued, conferred special benefits on certain social and economic groups, which consequently developed a natural resistance to change and a preference for the comfort of their familiar privileges. A kind of economic and social sclerosis was thus apt to set in, clogging the arteries and fatally delaying adaptive change. This would explain why the former hegemon lost, first, its economic leadership, and then its political power, to rivals unencumbered with the same coalition of conservative, self-preserving interests; the successful rivals were therefore in a better position to take advantage of technological advances and the changing demands of the market.

Today, there are variants of hegemonic theory to suit most political tastes. For American radicals, Immanuel Wallerstein has developed an alternative general theory of hegemonic rise and decline, building on foundations laid in his large study, *The Modern World System* (itself following the trail blazed by Fernand Braudel).¹⁷ In a series of essays entitled *The Capitalist World Economy*, Wallerstein usefully defines hegemony to mean more than military predominance or capturing the largest share of the world market, yet less than total omnipotence, which he rightly says cannot exist in an interstate system. Hegemony, he asserts, refers to:

... that situation in which the ongoing rivalry between the so-called 'great powers' is so unbalanced that one power is truly *primus inter pares*; that is, one power can largely impose its rules and its wishes (at the very least by effective veto power) in the economic, political, military, diplomatic and even cultural arenas.

14. See A. Stein, "The Hegemon's Dilemma: Great Britain, the United States, and the International Economic Order," *International Organization* 38 (Spring 1984).

15. M. Olson, *The Rise and Decline of Nations: Economic Growth, Stagflation and Social Rigidities* (1982).

16. M. Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge: Harvard University Press, 1965).

17. I. Wallerstein, *The Politics of the World-Economy: The States, the Movements and the Civilizations* (1984). See also his antecedents, F. Braudel, *La Méditerranée et le Monde Méditerranéen à l'époque de Philippe* (Paris: Armand Collin, 1986) and F. Perroux, *Le capitalisme* (Paris: Presses Universitaires de France, 1948).

That power has a simultaneous edge in efficiency in agro-industrial production, in commerce and in finance so great “that all allied powers are *de facto* client states and opposed major powers feel relatively frustrated and highly defensive vis-à-vis the hegemonic power.”¹⁸

In Wallerstein’s historical perspective, hegemonic power was exercised on three occasions in the modern world system: by the United Provinces in the mid-17th century, by Britain in the 19th, and by the United States in the 20th centuries. In each case, there was a short period in which the hegemon had an edge over all others in all three fields of economic endeavor. In each case, the hegemony was secured by a thirty-year war; and hegemonic decline eroded the alliance system which the hegemon had created.

Meanwhile, for American realists, Stephen Krasner followed Gilpin, closely connecting hegemonic decline and the collapse or disintegration of international “regimes.” At their peak, hegemons use their power to build frameworks of acceptable rules, institutions, and customary usages that will maintain economic order in money and trade. But as their influence declines, their appetite for international economic order also wanes and they are more concerned with their own particular national interest.¹⁹

The conclusion reached via these post-hegemonic interpretations of recent history, however, are by no means mutually consistent. Wallerstein foresees the break-up of the North Atlantic Treaty Organization (NATO) and a diplomatic reshuffle as a new Kondratiev upswing takes hold in the 1990s. Krasner predicts a return to what he perceives as the normal state of international society—a Hobbesian all-against-all. Keohane comes near to arguing that any international cooperation is always preferable to none. (For instance, he defends the notoriously illiberal MultiFiber Arrangement on the curious grounds that it is better than unilateral action leading to escalating discord.²⁰ But the fact is that the agreement is only a cover for bilateral agreements between importers and would-be exporters, and that because the latter are powerless to bargain, their discord is, if not silent, at least inconsequential; thus, the action half-legitimized by the agreement *is* in fact unilateral.) Robert Keohane argues, at the end of *After Hegemony*, that without American leadership, America’s allies and partners will have to renew their collective effort to rebuild the collapsing framework or order in the international economy. According to Keohane: “Shared interests and existing institutions make it possible to cooperate but the erosion of American hegemony makes it necessary to do so in new ways.”²¹

Only a very few American voices have questioned the two basic propositions on which all the forms of this conventional wisdom rests. These are,

18. *Ibid.*, pp. 37–44.

19. S. Krasner, ed., *International Regimes*.

20. Keohane, *After Hegemony*, p. 216.

21. *Ibid.*, p. 244.

first, the proposition that the United States has lost power in and over the system; and secondly, the proposition that this reason accounts for the disorders in the system. Russett has asserted that the decline of American power, like the premature reports of Mark Twain's death, has been greatly exaggerated.²² David Calleo argues in *The Imperious Economy* that the general disorder was not so much attributable to a decline in American power as it was to the persistent attempt of successive U.S. administrations since Eisenhower to get a quart out of a pint pot, that is, to finance both military supremacy and national welfare programs with inadequate budgetary resources.²³ Similarly, Henry Nau argued that it was the "domesticist" tendency in U.S. policymaking that was the root of the global troubles, rather than the decline of American hegemonic power.²⁴

But these minority views have been drowned out by the rest. This is the more surprising since the last few years have seen a small but steady stream of journal articles published in the United States, many of them by younger American scholars, who have tried to test the historical validity of hegemonic stability theory as a general law or axiom of the international system. Their conclusions for the most part have thrown grave doubts on the basic assumptions of the theory.

The record of history

One basic assumption of this literature is that hegemonic powers at their peak of strength and economic leadership are liberal by inclination. The second is that the system benefited because they were able to influence others to be more liberal than they otherwise would have been. The result of both their liberalism and their influence was that the international economy was more stable and more prosperous as a result of their leadership. But much recent American research work—to say nothing of past studies by economic historians in many different countries—has denied the validity of hegemonic stability theory. Searching back in the records of the 19th century, American scholars found that Britain as the hegemonic leader of the time had not in fact been consistently liberal in its management of trade. In the three important ports of the Arabian peninsula controlled by Britain—Aden, Muscat, and Mocha—compelling strategic considerations had led Britain to adopt increasingly restrictive commercial attitudes.²⁵ In West Africa, British leadership is often credited with the agreement reached at the Congress of Berlin to maintain an open door policy in trade, but David Laitin found that polit-

22. B. Russett, "Is Mark Twain Really Dead?"

23. D. Calleo, *The Imperious Economy* (Cambridge: Harvard University Press, 1982).

24. Nau, "Reaganomics."

25. F. Lawson, "Hegemony and the Structure of International Trade Re-assessed: A View from Arabia," *International Organization* 37 (Spring 1983).

ical issues had modified British liberalism.²⁶ In another, much broader study of relative tariff levels in Europe in the nineteenth century, Tim McKeown found that many other factors besides British hegemony had influenced European states towards more liberal trade policies—and, after 1870, away from them.²⁷ Trade policy tended to be more liberal when business was booming than when it hit a slump (as in the 1870s), regardless of the power or attitude of the leading economic power. Much the same conclusion emerged from a piece of comparative analysis by Peter Cowhey and Edward Long of trade policies in the 1970s, which found that, as economic growth slowed in the mid-1970s, European and American governments responded to distressed industries with subsidies and protectionist trade measures.²⁸ The crucial factor had not been the decline of American hegemonic power, as Keohane argued, but rather the depressed state of the world economy, as I argued in *The International Management of Surplus Capacity*.²⁹

The evidence of postwar history on the basic assumptions of both weak and strong hegemonic stability theory is just as damaging. It is not hard to show that the United States (like Britain before it) has not consistently pursued liberal objectives, nor has it successfully persuaded others to join that pursuit.

In the late 1940s, the United States Senate refused to ratify the Havana Charter so persistently that the Truman administration was obliged to settle for the less extensive regime contained in the GATT. And later, in the mid-1950s, the United States used the agreement's waiver clause to exempt agricultural trade from the processes of multilateral tariff bargaining, thus protecting American farmers from the lower-cost competition of Argentinian beef, New Zealand wool and lamb, Caribbean sugar and citrus, and various other products.

While the Havana Charter was being negotiated, the United States took an initiative—in the Truman Declaration on the continental shelf—extending state jurisdiction, which was far from liberal. This declaration was the first step in a process of maritime enclosure, and was quickly copied by Latin American governments to extend their fishing rights to the same 200-mile limit that the Americans had declared within their jurisdiction for oil exploration. The Soviet Union, the European Community, and every other maritime state followed the American move. Whether in the long run the enclosure of the high seas is regarded as good (because it may help to

26. D. Laitin, "Capitalism and Hegemony: Yorubaland and the International Economy," *International Organization* 36 (Autumn 1983).

27. T. McKeown, "Hegemonic Stability Theory and the 19th Century Tariff Levels in Europe," *International Organization* 37 (Winter 1983).

28. P. Cowhey and E. Long, "Testing Theories of Regime Change: Hegemonic Decline or Surplus Capacity?" *International Organization* 37 (Spring 1983).

29. S. Strange and R. Tooze, eds., *The International Management of Surplus Capacity* (London: Allen & Unwin, 1981).

conserve fishing stocks) or bad (because it is a limitation on free competition for the ocean's resources in the market) is beside the point. The fact is that for reasons of domestic policy and to assert the primacy of federal authority over state authority, the United States took the first illiberal step, extending state power and limiting the old "freedom of the seas."

In a recent study on the protection of American shipyards and the subsidization of ships flying the United States flag, Alan Cafruny concluded that only changes in technology had led the United States to oppose the implicitly restrictive system proposed by both the UNCTAD Code of Conduct on Liner Conferences and the Brussels Package, approved by the European Community. At an earlier stage the United States had turned a blind eye to the illiberal cartel arrangements of the conference system and had allowed its own fleet to take part in them just as it allowed its own airlines to join the IATA cartel in air transport.³⁰

After the war, when the United States used its persuasive powers, backed up by coercive leverage, to get others to help establish liberal economic arrangements, the evidence throws even more doubt on the effectiveness of U.S. hegemonic dominance. The United States could hardly have been in a stronger position to exercise hegemonic power than at the beginning of the European Recovery Program. The American monopoly of atomic weapons gave the West Europeans the only effective barrier to a further spread of Soviet influence and domination. American dollars offered the only hope of maintaining imports of food and capital goods which were necessary to keep up the momentum of economic reconstruction after the damage wrought in war. Another winter of shortage and cold like that of 1946–47 would have threatened the stability of at least two governments, France and Italy. Yet, as Alan Milward's recent study of the negotiations between the Americans and the Europeans has shown in considerable detail, the West Europeans were successful in resisting American attempts to insist on a full-blown customs union between the recipients of Marshall Aid. Wedded by history and sentiment to their particular concept of the role of the state in the economy, the Europeans foiled all the efforts of the United States to set a liberalizing supranational authority over their respective governments.³¹

Similar successful rearguard actions had been fought over the liberalization of air transport at Chicago in 1945. The Americans were in their strongest position ever: they had the only viable aircraft manufacturing industry in existence; an exceptionally thriving home market as a base for foreign operations; and a worldwide network of bases and operating experience, both acquired through the wartime operations of its strategic air com-

30. A. Cafruny, "Ruling the Waves," *International Organization* 39 (Winter 1985). See also S. Krasner, *Structural Conflict*, chap. 8.

31. A. Milward, *The Reconstruction of Western Europe 1945–1951* (London: Methuen, 1984).

mand. Yet the American demand for the five freedoms and an open market was successfully defeated by the other states setting up the ICAO.³²

Nor did the Europeans cease their resistance to American liberalism in trade. Under Article 35 of the GATT they could individually refuse to extend to any new High Contracting Party the privileges already negotiated on the basis of the most-favored-nation principles to all the other members. The result was that though the United States could use its hegemonic power in the organization to insist on the admission of Japan, the Europeans could delay for years the moment when they had to admit Japanese competitors on equal terms to their domestic (and their often sheltered colonial) markets. And by 1962, when the Americans, still concerned for strategic reasons to get Japan admitted to the "rich man's club," proposed first the short-term and then the Long-Term Cotton Textile Agreement, which would assure a steady expansion of market access, it was able to do so with only limited success as far as European Community markets were concerned; even then, it could hardly have succeeded without the support of Britain, which had its own reasons for wanting to share with others the problems of adjusting to price competition from Commonwealth textile producers in India and Hong Kong.³³ But while some strategic considerations made the Americans act liberally toward Japan at least until the late 1960s, other strategic considerations took precedence over liberal doctrine when it came to American policy towards trade with the communist states. Just as the British had political reasons for preferring restrictive commerce in Arabian ports, so the Americans were convinced that the beneficial influence of trade on politics stopped at the Iron Curtain. After the mid-1950s, the Europeans, especially the West Germans, favored a more liberal trade regime, and the Americans opposed it.

In short, it is hard to see American liberalism in the twenty-five years after World War II as a genuine doctrine rather than as an ideology, that is, a doctrine to be used when it was convenient and fitted the current perception of the national interest and one to be overlooked and forgotten when it did not. Moreover, if it were a genuine doctrine, it is hard to explain why it should have been quite so summarily abandoned in the space of about five years between 1968 and 1973. The British bureaucracy, by contrast, had clung to the liberal doctrines in which they had been brought up long after British economic dominance had faded away even in finance, let alone in manufacturing and in agriculture.³⁴ The decline of American hegemony could hardly have been so steep that it brought a fundamental shift in the

32. C. Jonsson, "International Air Transport," *International Organization* 37 (Summer 1983).

33. G. and V. Curzon, *Politics and Trade*, vol. 1, of A. Shonfield, ed., *International Economic Relations of the Western World 1959-1971* (London: Oxford University Press, 1976).

34. R. Gardner, *Sterling Dollar Diplomacy: The Origins and the Prospects of Our International Economic Order*, 2d ed. (New York: Columbia University Press, 1980).

direction of U.S. policy in less than a decade. It would seem that history, both under British and American economic leadership, has been rather more complicated than Gilpin, Keohane, or even Kindleberger suspected.

Liberalism in trade, I would argue, both as an attribute of hegemonic power and as a contributing factor to world economic growth and stability, has been much less important than Kindleberger's other two attributes of hegemony—the outflow of capital for investment and the provision of a stable international currency supported by discounting (that is, lender of last resort) facilities in times of financial crisis. The influence of hegemonic power on the trade policies of other states in the 19th century was at best very marginal. It had singularly little effect on the Austro-Hungarian Empire, or on the Turkish and the Tsarist empires, and precious little on the United States. Far more important, perhaps, were the statutory restrictions on the power of every British government from the Bank Charter Act of 1844 up to 1914 to pay its debts by printing money. The result was that relative prices in international trade were little affected by changes in the purchasing power of the currency in which bills of exchange were mostly denominated. Confidence in the value of money, in the political stability of Britain, and in the continued outflow of British capital provided other countries (like Japan) with the necessary confidence to pursue economic growth. The shorter period of American hegemony, though it began with confidence in the same three important factors, proved much more short-lived. It was strongly marked first by acute dollar shortage, soon followed by dollar glut, and in the last fifteen years, by a rapid depreciation of the dollar followed by an equally rapid appreciation. This depreciation resulted from policies producing a credit expansion that was geared, not to trade as in the 19th-century British system, but to bank lending through the uncontrolled Euromarket system. The uncertainty produced by such monetary volatility has provided a powerful incentive for banks and other financial institutions to develop new instruments and operations that shift the consequent risk on to others. But the shift, in turn, has served to complicate and frustrate the efforts of governments to manage so rapidly changing a financial system.³⁵

Power and wealth

Another important point concerns the divergence between the reality of international relations and its biased representation in hegemonic stability theories. They make the unspoken assumption that there is not much significant difference between the world economy of the 19th century, in which Britain was the economic leader (first in industry, later in commerce and finance), and the world economy of our own times, in which the United States

35. S. Strange, *Casino Capitalism* (London: Blackwell, 1986).

is the economic leader. But there are very important differences. While many texts on international relations still portray the international system of sovereign states—or rather, of states claiming still to be sovereign—as a permanent feature, its economic environment has already substantially changed, and will continue to change in the future.

Economic changes integrating national societies with each other are bringing political changes. The nature of the competitive game between states is not what it was. Instead of competing for territory (because land was the prime source of wealth, and therefore wealth and political power for the state could be achieved through control over territory), states are now engaged increasingly in a different competitive game: they are competing for world market shares as the surest means to greater wealth and therefore greater economic security. True, some military security, however provided, is often a necessary condition for economic security. But with today's costly and fast-changing technologies, economic security can no longer be assured by producing for, and selling on, national markets alone. The LDCs who tried import-substitution as a development strategy found this out the hard way. The most successful industrialized countries, too, have been those who have been able to gain, and keep, a larger share of the world market for goods or services, or both. This truth has been obscured for the United States because, in many sectors, the U.S. domestic market was so much larger than other national markets and formed such a large part, by itself, of the world market. In the 1950s and 1960s, moreover, U.S. industry was often the beneficiary of U.S. defense spending. Contracts for the U.S. Defense Department helped companies develop new high-technology products, like computers and integrated circuits, with no downside risks.³⁶ By the 1980s, it became more uncertain whether technologies developed for military purposes will be so easily adapted to civilian markets, so that the opportunity costs of diverting corporate research efforts may in future be greater than the spillover benefits for U.S. industry.

States, like Japan, which started without the benefits of such defense contracts, were obliged to find other means to apply existing technology and to finance the development of new technology so that national enterprises could enlarge their market shares and adapt flexibly to changing world market conditions.

If this analysis of change in the international system is broadly correct, then it follows that, in the new competitive game between states it is not relational power—described in conventional realist textbooks as the power of A to get B to do something it would not otherwise do—but structural power that counts. It is this power that, I shall argue, the United States still overwhelmingly possesses, and I shall now turn to a brief description of that structural power.

36. An argument often made in Europe. E.g. G. Junne, "Das amerikanische Rüstungsprogramm: ein Substitut für Industriepolitik," *Leviathan* 13 (1984).

Four aspects of structural power

Structural power is the power to choose and to shape the structures of the global political economy within which other states, their political institutions, their economic enterprises, and (not least) their professional people have to operate. This means more than the power to set the agenda of discussion or to design (in American phraseology) the international “regime” of rules and customs.

Structural power is to be found, not in a single structure, but rather in four separate but interrelated structures. They are like the four sides of a pyramid. Each is held up and supported by the other three. These four structures are not peculiar to the global political economy or world system. The sources of superior structural power are the same in very small human groups, like the family, or a remote and isolated village community, as they are in the world at large. In each of these, structural power lies:

- with the person or group able to exercise control over—that is, to threaten or to defend, to deny or to increase—other people’s security from violence;
- with those able to control the system of production of goods and services;
- with those able to determine the structure of finance and credit through which (in all but the most primitive economies) it is possible to acquire purchasing power without having either to work or to trade it;
- with those who have most influence over knowledge, whether it is technical knowledge, religious knowledge, or leadership in ideas, and who control or influence the acquisition, communication, and storage of knowledge and information.

This breakdown of the components of structural power is only common sense. But it is often obscured by theoretical discussions about the nature of the state or of power that are either far too abstract or far too narrow. Structural power has four aspects, each reinforcing or detracting from the other three. In the international political economy, all four are important, and the state which is dominant in most aspects of structural power is the most powerful.

Take, first, power in the security structure. So long as the possibility of violent conflict threatens personal security, the state which offers protection against that threat exercises power—and does so even though the same defense force that gives protection may itself be something of a threat to security. Today, as in the past three decades, the United States controls the only force of intercontinental missiles carrying nuclear warheads that are any sort of a match for the corresponding force controlled from Moscow. Soviet power in the security structure was once inferior, and is now roughly

TABLE 1. *Nuclear forces: United States and NATO/Europe*

	<i>United States</i>	<i>NATO excluding US</i>
<i>Missiles</i>		
ICBM	1,010	—
Intermediate	278	18
Tactical	144	171
<i>Aircraft</i>		
Long range	199	—
Medium range	55	—
Land-based strike	1,182	1,236
Carrier-based strike	666	38
<i>Nuclear submarines</i>	85	16
<i>Total defense budgets (1984)</i>	\$237 billion	\$40 billion

Source. International Institute for Strategic Studies, *The Military Balance*, 1986–87, pp. 200–212.

equal. But among the other countries involved in the NATO alliance, the United States is still pre-eminent, as Table 1 shows.

Not only are America's NATO allies so much weaker in nuclear weapons that they are dependent on U.S. protection, their dependence is increased by their inferiority to the Soviet Union and its Warsaw Pact allies in conventional weapons, especially on land and in the air. It need hardly be added that Japan is a negligible force in terms of armaments; it is inferior even to South Korea. And it is this fundamental asymmetry in the security structure of the non-communist world that is often and easily overlooked in contemporary discussion of international economic issues. Always in the background, there is the contrast between the provision of security by the United States defense forces and the dependence of its partners upon them. The preponderant power of the United States in the security structure operates on land, at sea, in the air, and (most markedly) in space. There is no comparison between such a universal basic force and the very limited naval preponderance which was the main backing to British economic power in the earlier period of supposed hegemony.

Almost as important is the continued domination by the United States of the world's production structure. Who decides who shall produce what, how and with what reward, has always been almost as fundamental a question in political economy as who decides what defense shall be offered against security threats. Some American analysts' choice of indicators has misled them into thinking that their country is suffering economic decline. It is not the share of industrial manufactured products made in the United States nor the share of U.S. exports of manufactures to world markets that counts. We should look instead at the proportion of total world production of goods and services produced: a) in the United States, and b) by enterprises ultimately headquartered in the United States and responsible to the government in

TABLE 2. *Percentage of total output produced in United States*

	1970	1980	1985 (est.)	1990 (est.)
Manufacturing	37.7	36.8	36.4	36.9
High tech	4.1	5.7	7.1	8.5
Capital goods	4.0	4.0	3.2	3.3
Consumer durables	4.8	4.4	4.8	4.6
Consumer nondurables	9.4	8.8	8.2	7.6
Basic goods	8.4	7.4	6.6	6.4
Services	48.1	51.5	52.2	52.1
All others	14.3	11.7	11.4	10.9

Source. Data Resources, Inc.; *Business Week*, 14 January 1985.

Washington. We should note which corporations lead, rather than the percentage of world output produced in the United States, or the share of world exports produced in the United States. For example, of the largest corporations producing computers, the top six are American, as are twelve of the top twenty. Between them, they produce 62.3 percent of total world production and have over 50 percent of world turnover. IBM alone dominated the market with 35.6 percent of world turnover in 1983, though it is now an open question whether some of the market will go to smaller competitors. The significance of this dominance is underlined by estimates that the present world demand for computers (estimated at \$200 billion) will *quadruple* by 1991. It is the same story with integrated circuits. Texas Instruments and IBM are the leading world producers, even ahead of the Japanese. In telecommunications, too, AT&T and ITT are the top two companies in terms of sales. Both are sustained by the great size of the homogeneous domestic market—an asset the Americans are inclined to forget but one of which Europeans are acutely aware. Dr. W. Dekker, president of Phillips Corporation, recently warned European governments that if they could not combine to provide a comparably uniform home base, European companies like Philips, Siemens, Nixdorf, Bell, ICL, Ericsson, and Olivetti would be unable to survive and certainly could not stay based in Europe. “If Europe does not unite, industrial innovation will pass Europe by,” he concluded.³⁷

Broken down into categories, we see from Table 2 that, while the U.S. shares of basic products (including steel, chemicals, paper) and consumer goods have declined between 1970 and 1980, the U.S. share of high technology products is actually larger. And, it is estimated that this share will more than double the 1970 level by 1990. Similarly, American service industries will hold their share—50 per cent or more—of the whole world market.³⁸

37. W. Dekker, in a speech to European Management Forum, Davos, Switzerland, February 1986.

38. R. Shelp, “The Service Economy,” mimeo, 1985, and *Beyond Industrialization* (New York: Praeger, 1981).

In the oil business, which remains the lifeblood of the world's industries and transport system, the seven American major oil companies dominate the top ten, together outnumbering and overpowering by far even the largest European and Japanese and OPEC enterprises.³⁹ In the aircraft business, the big names are still American—Lockheed, Boeing, and McDonnell Douglas. Six of the top nine companies, including the two largest, are American. Although there are big Swiss and British names in pharmaceuticals, the corporations with the biggest research budgets are American; and three of the largest five companies are American. Among the big industrial conglomerates, hedging their bets across a variety of sectors, it is again the Americans who lead.

In short, a perusal of any list of the top 100, 500, or 1,000 corporations producing for a world market will quickly bear out the contention that the decision-making power over the world's production structure still lies, not in Europe or Japan, but in the United States. Of the leading 300 enterprises in the world, 142 are U.S.-based.

One reason for this dominance over production is that the United States provided the first large mass market for manufactured consumer goods. The laws and policies of U.S. governments therefore shaped the corporations that first exploited that market. They then discovered the managerial techniques for controlling international networks of foreign subsidiaries. The mode of operations and the *mores* of today's business world were first made in America; developments in the United States still influence it more than developments anywhere else.⁴⁰

The third leg of American structural power is almost as important. America has the ability to control the supply and availability of credit denominated in dollars, and thus to exert predominant influence for good or ill over the creation of credit in the world's monetary system. In this respect, the conventional indicators are all turned upside down. How much gold and foreign exchange the U.S. government holds compared to Germany or Japan is beside the point when the United States is the only government capable of creating dollar assets that are accepted and saleable worldwide. In some sense, a financial system largely operating in dollars has no need of reserves.⁴¹ In most countries, whether the balance-of-payments is in surplus or

39. A common mistake is to suppose the oil companies ever entirely dominated the market in that they set oil prices, or that they lost power when OPEC, in alliance with the market, briefly did so. The oil companies' prime purpose is profit, and in making profits out of oil. U.S. companies still lead.

40. See, for example, R. Vernon, *Storm over the Multinationals* (Cambridge: Harvard University Press, 1977); J. Dunning, *The World's Largest Industrial Enterprises 1962–1983*, (London: Macmillan, 1985); M. Casson, *The Growth of International Business* (London: Allen & Unwin, 1983).

41. The United States now holds resources in other currencies, but only because it is more convenient and less risky should the Federal Reserve Bank of New York decide (as in 1986–87) to buy dollars in order to arrest a decline in their value.

deficit indicates the strength or weakness of its financial position. With the United States, the exact converse can be true. Indeed, to run a persistent deficit for a quarter of a century with impunity indicates not American weakness, but rather American power in the system. To decide one August morning that dollars can no longer be converted into gold was a progression from exorbitant privilege to super-exorbitant privilege; the U.S. government was exercising the unconstrained right to print money that others could not (save at unacceptable cost) refuse to accept in payment. And in the period 1973–1983, when the dollar-deutschmark exchange rate became even more volatile, the power to decide whether or when central banks should intervene to check market trends rested solely with the United States. West Germany alone was powerless. The asymmetry was quite striking, just as it was later in the 1980s for the dollar-yen exchange rate.⁴²

The significance of the dollar's predominance has also been well illustrated by the experience of Third World and Eastern European debt in the 1980s. American banks were foremost in lending to Latin America and were bailed out; German banks were foremost in lending to Poland and were not. The great majority of foreign bank loans were denominated in dollars. When first Mexico, then Brazil, Argentina, and the rest were unable to service their debt, the United States possessed two weapons more powerful than those of any other government: it could make advances in dollars to meet an emergency; and it could twist the arms of the largest and most influential banks in the system to follow its example with renewed medium-term credit. The evidence of American domination of the world's financial system is plentiful enough.

Not only were banks in the United States responsible for the lion's share of total bank assets in the industrial world but, more important, something like three-quarters of all these assets were denominated in dollars.⁴³ The ability of the United States to move this market is unequalled. By its unilateral decision, the International Banking Facilities (IBF) legislation of 1981, which allowed U.S. banks the same freedom to conduct "offshore" transactions from home, practically halted the expansion of Eurodollar assets in U.S. bank branches abroad. These assets had grown in 1980 by \$126 billion. In 1982, the growth was a mere \$20 billion. A 1975 decision to deregulate markets (by allowing stockbrokers to compete in their charges) made comparable changes in policy irresistible for Britain, as for Japan.

Finally, implicit in much of the evidence already cited, America continued to dominate the world's knowledge structure. Knowledge is power, and whoever is able to develop or acquire a kind of knowledge that is sought by others, and whoever can control the channels by which it is communicated

42. H. Feddersen, "The Management of Floating Exchange Rates; The Case of the D-Mark/Dollar Rate 1973–1983," unpublished Ph.D. thesis, European University Institute, Florence, 1987.

43. Note that in banking parlance loans owed to a bank are assets.

and the access to stores of knowledge, is able to dominate. In past times, priests and sages often exercised such dominance over kings and generals. The jealousy with which priesthoods guarded their knowledge and restricted access to it has been a common feature of all great religions. Today, the knowledge most sought after by those who pursue power or wealth, military or corporate leadership, is technology—the technology of new materials as well as new processes, new products, and new systems of collecting, storing, and retrieving information and new systems of communication. Overall, the United States still leads in the advanced technology sectors—including those at the developing stage, such as artificial intelligence (space, ecology, ocean mining, and biotechnology) and the fast-growing new technologies of microcomputers, microelectronics, telecommunication, robots and factory automation, and data processing. The major flows of data still go to data banks in the United States.⁴⁴

Three factors have combined to give the United States this leadership in knowledge. One is the large home market operating under uniform (or nearly uniform) laws and regulations in standards and performance criteria. The Japanese have this, too, but the Europeans do not. As a result, U.S. companies can more easily specialize, while European corporations of comparable size are tempted to diversify, but in so doing often spread their R&D too thin. Where Europe had a 15 percent share of the world market in semiconductors as recently as 1977, today it has less than 8 percent. A recent Office of Technology Assessment report to Congress on prospects in biotechnology concluded that the old world of Europe “will be outspent by the new, outplanned by the rising sun (of Japan), and fragmented by national rivalry.” The same is true of almost all high technology sectors in which United States and Japanese shares have increased while Europe’s have declined. The telecommunications field, dominated by procurement by national monopolies (usually state-owned), is a classic example of the political disunity’s fatal consequences on economic performance.

The second factor is the stimulus, support, and headstart a large defense budget offers. It is true that IBM gained its lead in computers by developing the marketing techniques necessary to find large numbers of commercial buyers. But the first boost came in 1954 from the U.S. defense program, which financed 60 percent of IBM’s R&D. Similarly, the first international circuits were built in 1962 and 1963 almost exclusively for defense and the space program. Even as late as 1968, 37 percent of U.S. production was absorbed by the National Aeronautics and Space Administration and the Department of Defense. Orders from the government carried much less risk and provided an invaluable beachhead for the conquest of commercial markets.⁴⁵

44. UN Centre on Transnational Corporations, “Transborder Data Flows,” (1979).

45. H. Nefiodow, Paper presented at Financial Times–International Research into Multinationals Conference on Multinationals and Innovation, Munich, April 1986.

The third factor is the great size, wealth, and adaptability of American universities. In Europe's political history, the university has been the traditional bastion of political dissidence and opposition. This situation has sometimes produced an arm's length attitude to both government and business, so that European universities have often been slower than their American counterparts to seize the opportunities offered by both to expand research. Gerd Junne of Amsterdam University has found that in biotechnology, as in some pharmaceutical fields, the European multinationals spent more in American universities than in the ones at home in Europe. According to Junne: "In biotechnology, more than in other new technology, European managers have located much of their research in America or pay American researchers to do research for them."⁴⁶

One further factor really relates more to the dominance of the United States over access to the largest and most innovative capital markets, both at home in the United States and abroad in the so-called Euromarkets. They are able to finance new development rather more easily than even the Swiss or Japanese corporations. IBM left its competitors behind when it spent \$5 billion developing the third generation of computers. New, small enterprises in Silicon Valley find it easier to find venture capital in the United States than they would in Europe.

All in all, therefore, there is little question about the combined structural power the United States derives from the security structure, the production structure, the credit (or financial) structure, and the knowledge structure. Neither Europe nor Japan can equal the Americans' performance across all four structures. Since each of them interacts with the other three, and the European and Japanese are so far behind militarily, it seems likely that America will enjoy the power to act as hegemon for some time to come. How the power is used is a different question.

The alternative explanation

Once American predominance in structural power is conceded, we can look for other explanations of international economic disorder and the proliferation—despite all the summit conferences—of unsolved issues like that of Third World debt, volatile and unpredictable exchange rates and commodity prices, the precariousness of international banks, the multiplication of protectionist trade measures, and continued conflict over trade in agriculture and services.

A far more plausible explanation for the erosion of so-called international regimes than the decline in American hegemonic power lies within the Amer-

46. G. Junne, "Developments in Biotechnology," mimeo, University of Amsterdam, 1985. See also C. Hamelink, *Finance and Information* (Norwood, N.J.: Ablex, 1983).

ican political system rather than in the role of the United States in the international system. Stability in these regimes requires, above all, some consistency on the part of the leading participant. The United States is ill-suited to sustaining this consistency in policymaking, partly by reason of its constitutional provisions, and partly thanks to the coalition-building practiced by its dominant political parties. The hallowed doctrine of the separation of powers has been an excellent safeguard against the abuse of executive power. But it has tended to make policymakers in Washington ever mindful of the capacity of powerful lobbies and interest groups operating upon or within Congress to distort, frustrate, or even reverse strategies adopted by the White House towards the outside world.⁴⁷

Take, for example, Henry Kissinger's post-OPEC strategy to strengthen the hands of the oil-consuming countries against the organized power of the oil producers. The International Energy Agency was set up with much fanfare and endowed with an elaborate institutional structure. But all its efforts (save the expansion of oil stockpiles, which would doubtless have taken place anyway) were rendered practically ineffective by the inability of the Nixon and Carter administrations, in the face of Congressional opposition, to raise the domestic price of energy high enough and fast enough to affect the short-term impact of demand on supply.⁴⁸

Again, the disruptive strategy of introducing the voluntary export restriction into the conduct of international trade relations has been most responsible for the decline of a multilateral, non-discriminatory regime based on the GATT rulebook. And this, too, was the direct result of pressure from the Congress on successive administrations.⁴⁹

By all accounts, too, the Reagan administration surprised even its own delegations to the United Nations Conference on the Law of the Sea when, at the very last moment, it decided to reject the draft negotiated text which had consumed so much time and diplomatic effort. This, at least, could not be attributed to the need to placate the Congress so much as to a reassessment of United States' interest in the prospects for exploiting new technology for deep-sea mining.

Cafruny's study of shipping comes to a similar conclusion, even while it notes that technical change and the shifting imperatives of the market ex-

47. See for example the analysis of policymaking processes in I. M. Destler, *American Trade Policy: System under Stress* (Wade: Institute of International Economics, 1986). On this point, Snidal observes (in "Hegemonic Stability Theory Revisited") that when hegemony is exercised in ways that do not benefit the weaker states, they will chafe under the domination and may work for the demise of the hegemon. But in security and finance, their weakness will inhibit their opposition.

48. Even Keohane, who gives a peculiarly favorable account of the IEA, concluded that rule-oriented solutions were proposed but not implemented. *After Hegemony*, p. 234.

49. M. Hudson noted earlier, "The U.S. strategy was to act first, to render the trade patterns of foreign countries a function of its own trade controls," *Global Fracture*, p. 135. A chapter entitled, "America's Steel Quotas Herald a New Protectionism," gives detailed evidence for this statement.

acerbate existing conflicts among domestic interests. Policy, he says, has become ever more incoherent, “ranging from ruthless anti-trust enforcement to protectionism.” (The quotation is from a British trade minister.) Most industry analysts, Cafruny says, “refer to domestic politics to explain policy incoherence; indeed, most European and American officials and shipowners reject the proposition that America has a ‘shipping policy.’” In the same way, the complaint that American trade policy is often contradictory, the left hand playing a protectionist card while the right hand bangs down a free trading trump, is met by the revealing assertion that America neither has nor seeks to have an “industrial policy.” Americans may believe this, but no one else does. European companies, especially in high technology industries, are acutely aware of the advantages that U.S. corporations have enjoyed as a result of fat defense contracts. Government procurement for advanced technology and government protection for older industrial sectors is not irrational, though in the long run it may not be the best strategy for safeguarding national economic interests.

Besides the inconsistency of American trade policy across sectors, there is the tendency—as in monetary policy—to suddenly reverse the entire policy direction. Here, we must note that the American political system has far less built-in resistance to such political U-turns. No American president has to consider the risk of revolt in the parliamentary party and the consequent prospect of unwelcome early elections. As political scientists have observed, the very certainties of the American system may even encourage a certain cyclical repetition of policy shifts—for instance, to relieve unemployment at one stage or to check inflation at another. In Washington, there are few if any permanent senior bureaucrats, as there are in London, Paris, Bonn, or Tokyo, so firmly ensconced in positions of considerable blocking power that they provide a deterrent counterweight to political whims and fancies.

From outside the United States, it seems fairly clear to non-Americans why this sort of explanation is not very palatable to American academics—and even less so to American policymakers. It is not easy for either to admit that the conduct of American policy towards the rest of the world has been inconsistent, fickle, and unpredictable, and that United States administrations have often acted in flat contradiction to their own rhetoric. While pronouncing the virtues of liberalism for all in trade and investment, they have practiced partiality towards their own and protection and discrimination against successful newcomers like Japan or Taiwan. While preaching the ideals of internationalism and multilateral decision-making, they have never hesitated, as Patrick Sewell has written, to spring unilateralist surprises on America’s friends as well as on its opponents.⁵⁰ Nor have they felt any inhibitions about indulging in sudden ventures in bilateralism—with

50. Sewell, “Congenital Unilateralism.”

Israel, Mexico, or Canada, for example. They have done so because there is—and always has been—an inherent and unresolved conflict between the two sets of ideas that have influenced American policymakers ever since the end of World War II—between the liberalism preached by neoclassical economists and by internationalist political scientists and the realism practiced by the U.S. Departments of State and Defense.

The conflict has been between the realism necessary to any great power, which leads to unilateralist power politics, and the liberalism necessary to a great economy dependent on world markets, which leads to internationalism (whenever realism and domestic politics permit). Charles Krauthammer has remarked on this inherent conflict, but its implications are unlikely to gain ready acceptance in American intellectual circles.⁵¹ As K. Holsti observed and documented recently, the trend to parochialism in the American literature on world politics has actually been increasing. Books or articles in foreign languages are almost never read or cited. Only a few non-American writers, even in English, are regularly assigned to students in U.S. universities.⁵² American awareness of how others see the failure of international cooperation in relation to the continuing power of the United States is actually less now than it might have been a generation ago. This may be because the rising generation are native-born Americans, while many of the older American academics were born and educated in Europe; they occasionally returned on visits, and most read at least two European languages. These old men—there were few women—are now passing from the scene.

It is much easier for Americans to assert with Keohane, Fred Bergsten, and others that the decline of American power means that collective goals require collective collaboration and that, if this is elusive, there is nothing more the United States can do. Their arguments tend to overlook the fact that collective action is still possible but *only* when the United States takes the lead—when, in short, it still chooses to act as leader. The recent history of exchange rate stabilization, after the Plaza accord of September 1985 and after the Group of Seven meeting in Paris in February 1987, easily demonstrates this conclusion. We can also see it in the field of policies on ocean pollution or whaling. After Bhopal, the United States is likely to lead the world in setting standards of corporate liability for chemical accidents. Its leadership was vital to the rescheduling of Mexican and Brazilian debt. The United States initiated—and forced others to follow—action against financial fraud and insider dealing. These examples may be too few and far between, but they are enough to reject the myth of America's lost hegemony.

That is why I think it legitimate to talk of the “myth” of lost hegemony.

51. C. Krauthammer, “The Poverty of Realism,” *New Republic*, 17 February 1986.

52. K. Holsti, *The Dividing Discipline: Hegemony and Diversity in International Theory* (London: Allen & Unwin, 1985).