

Lecture #3: Liberalism and Neo-Liberalism

Liberalism

Outline of the Lecture

- Classical liberal thought
 - Progress, rationality, cooperation, modernisation
 - War vs. trade, democracy
- Post WWII liberal thought
 - Functionalism
 - Neo-functionalism and European integration theories
 - Pluralism
 - Complex interdependence

Classical Liberal Thought

- John Locke
- Montesquieu, Voltaire, Hume, Condorcet, Thomas Paine
 - 1. Progress in history
 - 2. Rationality, reason, and science
 - 3. Individualism
 - 4. Importance and possibility of cooperation
 - 5. Process of modernisation
- Human rights is fundamentally a liberal thought....rights just simply because you are a human being
 - Individual and political rights are the core of human thought

Trade vs. War

- “It is commerce which is rapidly rendering war obsolete, by strengthening and multiplying the personal interests which act in natural opposition to it.” John Stuart Mill, 1848
- Liberals believe the selfishness of humans leads them to cooperate with each other
 - Ie. for trade purposes etc.
- Liberals do not believe we cooperate because we love each other...we cooperate because it is in our self interest and it profits us to cooperate

Democracy vs. War

- Wilson and liberal internationalists
- Kant: “perpetual peace”
- Doyle: democratic peace theory

- Another prominent theme in classical liberal thought...the promotion and the spread of democracy will gradually influence the decrease of war
 - Proven= democracies do not go to war with each other
 - They go to war plenty...but not with each other

Functionalism

- David Mitrany
- Nationalism main cause of WWII
- How do you achieve peace?
- Collective security too weak; world government too strong
- Need to bypass legal sovereignty, attack States' political sovereignty
- States would never allow for an International government because it would take away from their sovereignty
- Mitrany- when we talk about sovereignty, we tend to talk about it in two different ways...legal vs. political sovereignty
- What's the difference?
 - Legal Sov.= authority
 - Political Sov. (Sov. of States)= supreme right to govern as they see fit

Authority vs. Power

- Legal sovereignty: authority
 - Right to rule/govern
 - All-or-nothing
- Political sovereignty: power
 - Ability to rule/govern
 - Matter of degrees
- The way to overcome political power without threatening legal authority:
 - Start with technical issues...governments would be happy for anyone to solve them
 - Deal with the problem and solve it
 - Let the nature of the problem dictate the response....if the government needs to be involved, involve them, if not, don't

Functionalism

- Individuals will notice...ask to do it again?
- 1. "Form follows function"....start off small and work way up to bigger issues
- 2. "Peace in parts"....don't try to fix world peace....start with something political....start with something small

- The more you have local successes, the more momentum you will pick up....local forms of cooperation will ultimately result in cooperation internationally

- **Neo-Functionalism**

- Ernst Haas
- “Spillover”

European Integration and Integration Theory

- European integration is the process of industrial, political, legal, economic, social, and cultural integration of States fully or partially in Europe
- European integration has primarily come about through the European Union and its politics

Jean Monnet, Robert Schuman

European Coal and Steel community (1952)

+

Euratom community (1957)

∩↓∪

European community (1967)

↓

European Union (1992)

Pluralism and Transnationalism

- Wide range of actors in IR
- Transnational actors (ie. MNCs, NGOs)
- State itself made up of different components
- Interdependence

Complex Interdependence

- Robert Keohane and Joseph Nye

- **Realism's assumptions:**

- 1. States= dominant actors
- 2. States= unitary actors
- 3. Force always usable and effective
- 4. Clear hierarchy of issues (military security always on top)

- **However Functionalists say:**

- 1. Other actors important
- 2. State: different levels and agencies
- 3. Security not always dominant issue
- 4. Use/threat of force often ineffective

- Military isn't always effective
 - Ranking of power differs
- Multiple channels among actors
- Many different "issue-areas" in IR
- Use of force impractical in some
- Different distributions of power in each
- Power ≠ "fungible" (transfer something from one area to another without loss)

Neo-Liberalism

- In IR, neo-liberalism is a theory that:
 - Holds that States should try to achieve absolute gains rather than trying to achieve gains relative to other countries
 - Neo-liberalism is a response to neo-realism
 - Neo-realism emphasizes the idea that states have no reason to cooperate with one another
- States make decisions based on a set of self-interested priorities and according to a strategic cost-to-benefit analysis of possible choices, reactions, and outcomes

Outline of the Lecture

- Assumptions
- Logics of neo-realism vs. neo-liberalism
- The puzzle: hegemonic stability theory and (liberal) international institutions
- Neo-liberal theory
 - Coase's theorem and anarchy
 - Transaction costs
 - Uncertainty and problems of information

Assumptions

- 1. States= main actors
- 2. States= Unitary
- 3. States= self-interested
- 4. States= "rational"
- 5. States try to maximise gains through cooperation
- 6. Biggest obstacle to cooperation= non-compliance (cheating)

Logic: Neo-Realism

Anarchy



Self-help

↓
Survival
↓
Security dilemma
↓
Relative gains
↓
conflict/competition

Logic: Neo-Liberalism

Anarchy
↓
Self-help
↓
Absolute gains
↓ ← International institutions
Multilateralism
↓
Cooperation

Hegemonic Stability Theory

- Neo-realism's answer to (existence, prevalence of) international institutions
- Economic focus
- Why do liberal international (economic) orders exist in a realist world?
- Ie. Bretton Woods system of multilateral financial institutions post-WWII
 - IMF, World Bank, GATT
- Answer: hegemonic power

Keohane's Puzzle

- 1970s:
 - Big power shifts
 - Yet stable economic cooperation
 - International economic institutions: key role
- Keohane's challenge to HST
 - If hegemon declining, why do international institutions continue to exist or even thrive?

Coase's Theorem

- Problem: market failure

- No government, but still mutually beneficial deals, efficient outcomes
- Just like IR and anarchy
- But two conditions:
 - No/few transaction costs
 - Perfect information

Keohane's Answer to Challenge

- Institutions:
 - Hard to create, easier to maintain
 - Once created: sunk costs
 - Provide functions for States

Neo-Liberal Theory

- What institutions do (functions):
 - 1. Encourage iteration
 - Increase “shadow for the future”
 - 2. Increase Transparency
 - Monitoring, verification of compliance
 - Help detect cheating
 - 3. Decrease transaction costs
 - 4. Provide information
 - Decrease uncertainty and “information asymmetries”
 - Ie. used-car market
 - 5. Create issue-linkages
 - 6. Increase importance of reputation
 - Ie. via linkage (transactions, issues, institutions)

Areas of Disagreement

- Neo-Realism vs. Neo-Liberalism
 - Can anarchy's effects be reduced?
 - Relative vs. absolute gains
 - Can institutions shape State behaviour? Are they relevant?
 - Is cooperation possible? How?

