

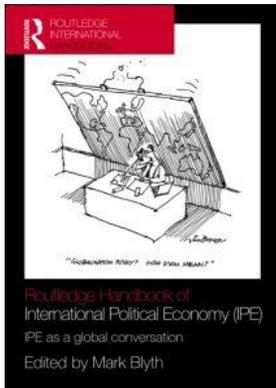
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Mark Blyth

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Realist political economy

Traditional themes and contemporary challenges

Jonathan Kirshner

Realist political economy rests upon three foundations: the state, pursuing the national interest, in an environment defined by anarchy. Each of these three attributes distinguishes realism from other approaches to the study of the politics of international economic relations, such as liberalism and varieties of Marxism (cf. Gilpin 1975b: 37–60). These attributes are interrelated. Realists see an autonomous state—that is, a state that is neither the sum of individual interests à la liberalism nor the implicit or explicit representative of certain privileged interests within society anticipated by Marxism. And that state pursues the national interest—which, again, is distinct from a pluralist vision that derives the national interest from the summation of individual interests, or from the radical charge that the national interest is a cloak for the advancement of particular interests (cf. Morgenthau 1951; Kennan 1951; Krasner 1978).

Much of the distinctness of the national interest comes from the existence of anarchy—the lack of an ultimate international authority, and thus the absence of any guarantee that the nation will not be invaded, overrun, conquered, and pillaged. Security is a public good; public goods tend to be underprovided by private actors; the state is responsible for the provision of security. Realists do not presume the imminence or ubiquity of war (nor do non-realists presume that war is impossible), but rather realists assume that states must be alert to the possibility that war could occur and are sensitive to the potentially catastrophic consequences of defeat. Thus the state will cast a judicious eye on international economic relations. Some mutually beneficial transactions might nevertheless leave the state less secure—compared to other perspectives realism tends to emphasize this tension between the national interest and economic interests—leading to the expectation that states will make departures from those policies that maximize wealth and short-run economic growth in the name of national security (Viner 1948: 10; Gilpin 1971: 403–4, 409–10; Mastanduno 1998: 827, 842–43, 848). Following this, and more generally, realists argue that international politics are an essential and formative influence on the pattern of international economic relations. As E. H. Carr wrote, “the science of economics presupposes a given political order, and cannot be profitably studied in isolation from politics” (Carr 1951: 117; cf. Strange 1970b: 304–15; Viner 1929: 408–51; Feis 1930; Spiro 1999).

Realists also have a distinct perspective with regard to how they contextualize the economic sphere of human relations, a perspective rooted in assumptions about the

nature of mankind. Liberalism and Marxism share an inherently economic perspective: individuals are motivated by desire to maximize their personal wealth; they want more stuff; and individual behavior is best described, explained, and predicted by the rational pursuit of more stuff. In his most intimate memoir, John Maynard Keynes skewered this “Benthamite calculus, based on an over-valuation of the economic criterion,” and “the final reductio ad absurdum of Benthamism known as Marxism” (Keynes 1949: 97). Realist expectations of human behavior, in contrast, are first informed by politics and also by anthropology and sociology. This perspective does not dismiss the considerable significance of material incentives and ambitions, but it places the influence of those tangibles in the context of a mindset captured by the title of Stanley Kubrick’s first film, *Fear and Desire*. Virtually all realists share the view that fear—alertness to the dangers of the world—is a primal motive of behavior, and that security is a principal and urgent desire. Beyond this—in those settings when physical security appears secure (often), realists vary with regard to their expectations regarding additional desires: here the approach is indeterminate. However, those desires, which will almost certainly include material comforts and luxuries, are not at bottom motivated by maximizing wealth, but rather with security, prestige, primacy, and even domination—as ends in themselves.

In a phrase, “realists aren’t in it for the money.” That is, actors behaving as realists would expect them to (though not necessarily realist scholars!), will often, without regret, trade wealth for power (or, when secure, status). Thus, while radical scholars would describe the use of power to hold in place a system of international capitalism that enforces economic exploitation, the realist view commonly reverses this relationship. This process was first described by Albert Hirschman, in his study of German inter-war trading relations. Germany cultivated a series of asymmetric trading relationships with the small states of Southeastern Europe as part of its pre-World War II grand strategy to secure needed raw materials and increase German leverage there. Although inefficient from an economic perspective, redirecting trade to contiguous regions enhanced Germany’s autonomy. Focusing on small states increased Germany’s political leverage there by making exit more costly for others (given their relative stakes in the relationship), and therefore threats to end or to interrupt the relationship, both explicit and implicit, provide power to the larger state (Hirschmann 1980 [1945]; cf. Krasner 1976: 320; Kirshner 1995: ch. 4).

This asymmetry, plus the relatively sweet deals offered by Germany, exerted, as Hirschman noted, “a powerful influence in favor of a ‘friendly’ attitude towards the state to the imports of which they owe their interests” (Hirschmann 1980: 29). Thus not only was Germany able to purchase greater autonomy and coercive leverage over its neighbors, it was also able to enhance its political influence with those states. As *National Interest* shows more generally, behind the headlines and with little fanfare, the pattern of international economic relations affects domestic politics, which in turn shapes foreign policy. This can have a profound effect on the international behavior of small states in asymmetric relations. Realists anticipate that large states will routinely make economic sacrifices in an effort to enhance their political influence in this fashion (Hirschmann 1980: 18, 28–29, 34–37).¹

Continuity in the realist perspective over time

Realist political economy has, not surprisingly, evolved over time, in response to intellectual challenges and historical events. But there is also a notable continuity in its

underlying philosophy, from its intellectual roots in classical mercantilism, its more intimate association with nineteenth-century neo-mercantilism, and its development alongside the tumultuous world politics and emergence of the discipline of international relations in the twentieth century.

Classical mercantilism, with its emphasis on the zero sum nature of international trade and the need to accumulate precious metals, was subject to withering and in many aspects irretrievable criticism in 1776 by Adam Smith in his millennial articulation of liberalism (Smith 1976 [1776]: vol. I: 450–73, 496–502, 513–24, vol. II: 3–10, 103–57). With regard to its implications for international relations, Smith established that wealth derived from productive capacity, not precious metals; that the economic effects of trade were positive sum, not zero sum; and that, consequentially, the balance of trade was not usually a crucial determinant of economic well being. Each of these changes represented an important departure from mercantilist thought.²

At the same time, there were important continuities between the classical mercantilists and their liberal challengers. In particular, each school of thought sought to maximize both power and plenty (witness Smith's famous support for the protectionist navigation acts and for subsidies to defense-related industries), and each saw a long run harmony between those goals (Smith 1976 [1776]: vol. I: 484–85, vol. II: 28).³ The achievements of the nineteenth-century neo-mercantilists, then, such as Alexander Hamilton, Fredrich List, and Gustav Schmoller, were not to defend mercantilism from Smith's devastating critiques, but rather were the result of integrating the advances in economic thought produced by the liberal school with realist (rather than liberal) assumptions about politics. Realists followed liberals by branching off, not chopping down. Hamilton's famous "Report on manufactures" was heavily influenced by Smith; as for List, his classic comment, "the power of producing wealth is ... infinitely more important than wealth itself" could just as easily have appeared in *The Wealth of Nations* (Hamilton 1928 in Cole 1928: 248; cf. Bourne 1894: 329–48).⁴

Thus liberals and realists share the view that both power and plenty are crucial and complementary aims of state action, and further that power flows from productive capability and productive capability from economic growth. The realist dissent is with liberal politics, not liberal economics (cf. Morgenthau 1978: 126; Knorr 1975; Gilpin 1987: 328–36). "Adam Smith's Doctrine," List argued, "presupposes the existence of a state of perpetual peace and of universal union." But of course, this is not the case. Thus while List recognized the benefits of free trade, he argued that the "influence of war" required states to deviate from some of the policy prescriptions of liberalism (List 1885: 316, 347).⁵

Similarly, in their political conception of the state, realists parted company with the liberals. This central theme emerged unscathed in the transition from mercantilism to neomercantilism, and remains a foundation of realist thought. According to Heckscher, "The state stood at the centre of mercantilist endeavors developed historically: the state was both the subject and the object of mercantilist economic policy." In fact, more than half of Heckscher's massive study is devoted to the explication of mercantilism as a state-building enterprise, and the emergence of the state as a powerful actor with interests distinct from other groups within society (Heckscher 1935: 21, cf. 273, part 1). This remained a central theme for the neomercantilists, most visibly Schmoller, for whom "mercantilism in its innermost kernel is nothing but state making" and who argued "What was at stake was the creation of real political economies as unified organisms" (Schmoller 1897: 49–50).

States, as autonomous actors with their own interests, will often find those interests in conflict with the interests and preferences of other groups in society. Mun and other mercantilists called attention to the potential incompatibility of public and private interests; List reemphasized this theme, repeatedly insisting that “the interest of individuals and the interest of the commerce of a whole nation are widely different things” (Mun 1949: 25–26; cf. Viner 1948: 19; Heckscher 1935: vol. II: 317; List 1885: 269). Again, this is particularly likely to be the case when the state, due to its greater sensitivity to security concerns or its tendency to have a longer time horizon than individuals, is more willing to accept short term economic sacrifices in order to reap greater long run rewards. “The nation,” List insisted, “must renounce present advantages with a view to securing future ones.” As J. B. Condliffe has argued, List sees “the state as an end in itself and the major end of policy, rather than as an instrument for the promotion of individual welfare” (Silberner 1946: 278; Condliffe 1950: 278).

As with the discipline of international relations more generally, realist political economy was forged by the experiences of the world wars and the Cold War.⁶ Two principal questions recurred, regarding the consequences of interdependence and the prospects for international cooperation, debates about which were influenced by major historical events. The First World War, in particular, confirmed realist skepticism that economic interdependence would assure peace, as liberals anticipated. For realists, states are more likely to chafe from the frictions and encroachments that interdependence will present, rather than be soothed by its multilayered embrace (cf. Carr 1951: 60; Gilpin 1971; Waltz 1970).⁷

Realists again part company with liberals over the question of cooperation. For liberals, market failure often prevents states from reaching mutually beneficial transactions and agreements; for realists, the existence of mutually beneficial transactions is not sufficient to assure international cooperation. Rather, states have to be concerned about the consequences of those interactions for national security. Would trade erode defense autonomy? Would specialization create new vulnerabilities? As with nineteenth-century neo-mercantilists, twentieth-century realists did not question that international trade would leave both participants wealthier; rather, the question was one of the composition of trade and the distribution of the gains. Thus, for liberals, the remarkable growth of the international economy after the Second World War is attributable to the leadership of the US, which provided international public goods, and the international regimes it founded, which produced the information, expectations, and mechanisms that reduced market failure. For realists, however, the same outcome is attributable to the dominance of the US vis-à-vis its allies, and the stable bipolar nature of the Cold War. These two (exceptional) factors, in combination, created the conditions under which the US concluded that its self-interest was best served by setting aside concerns about relative gains and encouraging the superior economic performance of its allies (Gilpin 1981; Kindleberger 1981: 242–54; Gowa 1984; Keohane 1984).

The emphasis on relative gains is something of a poster-boy for realist political economy, with a pedigree that can, again, be traced back to the classical mercantilists and followed through to the present day. In 1684, P. W. von Hörnigk stated that the wealth and might of a nation depends “principally on whether its neighbors possess more or less of it. For power and riches have become a relative matter.” A decade earlier, the English mercantilist Coke wrote “if our treasure were more than our Neighboring nations, I did not care whether we had one-fifth part of the treasure we now have” (von Hörnigk and Coke in Heckscher 1935: Vol. II 22; cf. 24, 26, 239; Gilpin 1975b: 33; Grieco 1988:

485–507). Nevertheless, the voluminous academic debate on this issue has to some extent obscured the first principles at stake.⁸ What ultimately distinguishes realism is not the pursuit of relative gains, but the motives behind that pursuit: as Joe Grieco argues, “states in anarchy must fear that others may seek to destroy or enslave them” (Grieco 1990: 217). But actors, in the absence of anarchy and concerns for security, routinely seek relative, not just absolute gains in their interactions. Moreover, in practice, analytically distinguishing between behaviors motivated by economic gain rather than by security will prove difficult.⁹

In sum, these are not settled research questions—nor are they likely to present opportunities for definitive settlement. But they illustrate the enduring themes of realist political economy that will inform realist analyses in the twenty-first century: a skepticism regarding the possibility that interdependence will significantly decrease the prospects for war, the assumption that international politics will crucially shape the pattern of international economic relations, and an expectation that states will monitor their engagement with the international economy with an eye toward mediating the dangers that derive from anarchy.

Realist political economy in the twenty-first century: issues and controversies

Realist political economy has struggled with the transition from the Cold-War international order to the post-Cold War international environment. Globalization, especially but not exclusively in the financial realm, has encroached on state autonomy without (as of yet, at least) generating a reassertion of state authority that realists would naturally anticipate. Similarly, the emergence of a more discriminatory (if still relatively porous) regionalism, a common realist expectation, has not emerged.¹⁰ And the United States is increasingly and intimately economically enmeshed with China, the state widely anticipated to assume the mantle of its principal strategic rival—and moreover US policy has evidenced little remorse, or even much wariness, regarding the strategic consequences of its permissive posture in this regard.

But these problems, I argue, are not *disconfirming* of the realist perspective for contemporary politics; rather they flow from two old habits that realism should (and can) shed. Realist scholars have stumbled on the question of globalization, failing to recognize the distinction between it and that old realist whipping boy, interdependence; and realists have also hitched their analytical wagons to a structuralist albatross. These have led to false steps both with regard to analysis and prediction. A reformed and revitalized realism, true to the foundational principles of the approach described at the start of this essay, can move past these problems and provide great analytical insight into twenty-first century matters.

Globalization for realists

The realist instinct—and indeed the reaction of leading realist scholars—was to be skeptical of the significance of globalization (cf. Waltz 1999; Gilpin 2001: 326–76; Mearsheimer 2001: 370–72). This instinct was rooted in three foundations: first, the tendency for realism to stress continuity, rather than change, in the basic nature of world politics; second, the anticipation of realists that states will seek, to the extent that it is feasible and not self-defeating, to enhance and protect their autonomy; third, a visceral skepticism

regarding the *commercial peace*, or the idea that interdependence between states is an important factor in inhibiting war. At times one suspects that the categorical dismissal of the significance of interdependence, with reference to World War I as the definitive falsification, is written prominently on the back of membership cards to the realist club.

But globalization is not interdependence, and it is disregarded at great peril. While globalization has been defined in a number of ways, it can be understood as an array of phenomena that derive from unorganized and stateless forces but that generate pressures that are felt by states. Globalization is manifested in a number of ways in contemporary international politics: through the intensification of economic exchange—including the fragmentation of production and the astonishing ascension of finance; dramatic changes in the nature of information flows resulting from a confluence of innovations including satellites and cellphones, faxes and the internet; and “marketization”—pressures that encourage the expansion of the set of social relations governed by market forces (Kirshner 2006).

These processes are distinct, they are mutually reinforcing, and, importantly, they are not *interdependence*. Interdependence relates to relations between two states, which can be more or less interdependent depending on the level and nature of economic exchange between them. Globalization is a condition. Intense economic interdependence between states can take place in the absence of globalization; and relations between two states with limited economic relations can be significantly affected by the condition of globalization.

Even while retaining realist foundations—a state-centric perspective, national security traditionally and even narrowly defined, and continuity regarding states’ motivations (the pursuit of security and other manifestations of the national interest)—globalization matters for world politics and national security. Failure to account for the influence of globalization will make it increasingly difficult to understand changes in the balance of power, prospects for war, and strategic choices embraced by states.¹¹

Globalization affects traditional national security issues in three principal ways. Globalization affects state capacity and autonomy, and thus reshapes the relative power of the state vis-à-vis non-state actors, social forces and market pressures. This does not of necessity suggest that the state will be weakened across the board; in some areas relative state power can be enhanced, for example in the area of surveillance.

Globalization also affects the balance of power between states, because due to the changes brought about to state autonomy and state capacity—no matter what the nature of those changes are, and even in the case where every state finds itself absolutely less able to advance its interests—there will be a reshuffling of relative capabilities. That is, even if, in the limiting case, that all states as actors are left less capacious, some will be weakened to a lesser extent, and all will probably be affected in distinct ways. Thus globalization will reshape the relative distribution of capabilities and vulnerabilities between states. Finally, globalization influences the nature and axes of conflict. Unlike interdependence theory, globalization does not imply more peaceful relations between all states. Rather, globalization likely reinforces already powerful incentives for peaceful relations between advanced industrial states—but at the same time, the disruptive effects of globalization in much of the world will likely contribute to new sources of conflict; and the weakening of the very weak will likely create an environment conducive to insurgency and civil war, and empower transnational criminal networks and terrorist organizations, creating distinct opportunities and incentives for political violence.¹²

Realist political economy can integrate the influence of globalization, if with certain caveats, and, always, with an emphasis on the primary role of politics in shaping both globalization and its consequences. From a realist perspective, globalization is not

necessarily novel, irreversible, or irresistible. But to observe that it is snowing very heavily and steadily at the moment is not to deny that there have been blizzards in the past, or that it may subsequently stop snowing entirely—rather it is simply to argue that the blizzard matters right now and therefore it is important to understand the consequences of the snow. No claim of novelty or irreversibility is necessary to hold the conclusion that globalization significantly affects national security. Similarly, while many of the pressures brought about by globalization are quite powerful, globalization is not an irresistible force, nor an arbiter of unbending laws. Rather, processes of globalization reshape the costs, benefits, and consequences of pursuing different policy choices. Choices made by self-interested states pursuing national goals will be affected by those changing incentives.¹³

At all times, a realist perspective on globalization emphasizes its political foundations and political consequences, which are not neutral. American unipolarity has contributed to an environment more conducive to the advance of globalization than would have likely occurred had the Cold War's bipolar order endured, or if an illiberal state, rather than the US, were the world's preponderant power. And as the biggest fish in a more open pond, the US often finds itself advantaged by globalization, given its economic power and international political capacities. Yet in some other ways, the US is politically disadvantaged by its implication in a variety of globalization's consequences, attracting new forms and sources of resistance to its political objectives. In sum, realist political economy can and should, and while retaining fidelity to its first principles, generate hypotheses about the consequences of globalization for contemporary world politics.

Putting structure in its place

For several decades, realist analysis has been profoundly shaped by the influence of neorealism, that approach to realism most closely associated with Kenneth Waltz, and his book, *Theory of International Politics*. Neorealism has much to offer the study of world politics, but its influence, as well as its emphasis, if not insistence, on the systemic level of analysis has skewed, unhelpfully, realist analysis. The limitations of Waltzian neorealism—a consideration of states as like units differentiated only by their relative capabilities—are particularly notable for twenty-first century realist political economy.

To begin with, even at the systemic level, as Robert Gilpin has argued, the “most important factor” for understanding world politics is not the static distribution of power, but “dynamics of power relations over time.” Gilpin's *War and Change in World Politics* (1981), a product of the same era, is the dynamic realist companion to Waltz's static approach. *War and Change* is the exemplar of those approaches that stress the importance of equilibrium in the international system. From this perspective, changes in relative power, which ultimately derive from changes in economic growth over time, are the mainspring of great power conflict. At moments of “equilibrium,” the given distribution of power is such that no state sees benefits from challenging the prevailing order. Economic change, however, redistributes relative power over time, creating a natural tendency for the system as a whole to drift away from equilibrium. The resulting divergence between power and privilege encourages rising revisionist states to challenge the status quo. A central problem in international relations is addressing these changes to the balance of power, which is very commonly resolved by war (Gilpin 1981: 93; cf. Liska 1957; Organski 1968: 364–67).

Beyond this question of statics versus dynamics at the systemic level, the triumph of neorealism more generally, and its insistence on structural analysis, has rendered

vanishingly small the perceived applicability of *realism* to practical problems. This need not be. Waltz is indeed dismissive of an appeal to variables at other levels of analysis—"it is not possible to understand world politics simply by looking inside of states," Waltz insists, "The behavior of states and statesmen ... is indeterminate" (Waltz 1979: 65, 68). This may be true. However, the elephant in the neorealist room is that this is also true for the system. Certainly, realists cannot dispense with close attention to the distribution of power and changes in the distribution of power over time, because, at bottom, in the context of anarchy and the possibility of war, these variables condition states' fears and expectations, and influence the pattern of interactions between them. Nevertheless, it is not possible to understand world politics simply by looking outside of states. The implications of systemic forces are inherently and irretrievably indeterminate.

Not surprisingly, since the microeconomic analogy was always explicit, the international system does indeed impose constraints on the states which constitute it in a way analogous to the way in which the range of choices presented to consumers and firms is expressed by market forces that derive from the collective behavior of all participants but which are beyond the control of any particular actor. But the analogy is imperfect and strained. Even assuming an idealized abstract market, with similar firms seeking singular goals (maximizing profits or market share), the deterministic implications of systemic market pressure are dependent on very strict assumptions of perfect competition—a very large set of small actors that have no market power but instead are price takers. As the idealized assumption of perfect competition is relaxed, market forces remain vital but individual choices—idiosyncratic choices—become increasingly central to explaining behavior. In particular, large firms in oligopolistic settings, while certainly not unconstrained by market forces, nevertheless enjoy considerable discretion as to how they will pursue their goals.¹⁴

States in world politics are much more like large oligopolists than small firms under perfect competition. This is especially true for great powers, even though, with unintentional analytical irony, it is the very greatest powers that neorealism is most interested in: "A general theory of international politics is necessarily based on the great powers" (Waltz 1979: 73). Further, despite their common attributes, states are less similar to each other than are firms of the same industry, and despite a common desire for survival, as realists have observed in the past states pursue a broad range of goals (certainly more diverse than goals of firms), the content of which will very likely vary from state to state (Wolfers 1962). And even in pursuit of that most narrow, common goal—survival—states are still less predictable than firms, because they typically have more latitude—firms are selected out of the system with much greater frequency than are states.

Structure thus informs importantly the environment in which all states act, but in that context, all states, and especially great powers, enjoy considerable discretion with regard to how they will pursue their goals and what sacrifices they will make in the face of constraints. It is thus impossible to understand and anticipate the behavior of states by looking solely at structural variables and constraints. Structural realists are trying to understand world politics with at least one hand tied behind their back. To explain world politics, and especially to address questions of political economy from a realist perspective in the coming years, it is necessary to appeal to a host of other factors, including domestic politics, history, ideology, and perceptions of legitimacy.

There is an inaccurate if commonly held assumption that "realists can't do that." This misunderstanding predates *Theory of International Politics*, and probably derives from the fact traditional realist analyses do not expect norms to prevent states from pursuing

radically dangerous foreign policies, and in their unwillingness to label actions as *good* or *bad*, realists have placed less emphasis on the importance of variables like regime type. E. H. Carr, for example, went out of his way to stress that there was no moral difference between revisionist and status quo aims; George F. Kennan and Hans Morgenthau have also expressed considerable caution regarding the appeal to morality in foreign policy, and each chastised the US for its episodic emphasis on idealism in foreign policy (Carr 1951: 91; Morgenthau 1960: 10). But the desire of realist scholars to study world politics *scientifically*—that is, without reference to good and bad or right and wrong, the way one would study the causes and consequences of earthquakes or volcanic eruptions, does not mean that domestic politics, or history, or ideas are irrelevant for realists. There may be no *moral* difference, according to realists, between states that prefer the status quo to those that pursue revisionist strategies, but those states will nevertheless behave differently; similarly, norms may not stop states from engaging in acts of barbaric aggression, but history and perceptions of legitimacy nevertheless condition the way in which states interpret the meaning of each others' actions.

Realists can—and have—deployed and taken seriously these types of variables. In contrast to Waltz, for example, Gilpin's contemporaneous work has consistently included an important role for non-structural explanatory variables, from his earliest writings that helped establish the basis of contemporary realist political economy, and in his subsequent contributions that followed. In "The politics of transnational relations" Gilpin distinguished realism from liberalism and Marxism by noting the distinct realist emphasis on "national sentiment" and "political values"; and in "Economics and national security in historical perspective" Gilpin places emphasis on "the decay of bourgeoisie middle class work ethic" in explaining state behavior, a theme developed further in *War and Change in World Politics* (Gilpin in Knorr and Trager 1977: 59; Gilpin 1971: 401–3; Gilpin 1981: 154, 159).

What is realism? Realists see states, pursuing interests, in an anarchic setting where the real possibility of war, and with it the prospect of subjugation or annihilation, must be accounted for. Realists see humans as actors with political instincts, who organize into groups that are discriminatory and typically conflictual. (Realists, more so than liberal-materialists, for example, would be more likely to see nationalism as an important influence on state behavior (cf. Abdelal 2001).) Finally, it should be noted that realists seem to share a certain pessimistic view of humanity and of the prospects for fundamental progress or transformation in the nature of human behavior. But beyond an acute sensitivity to the balance of power, none of these tenets require structuralism; non-structural realism is possible and indeed necessary to better understand twenty-first century international politics and political economy.

Real realism on China

Central questions that will demand the attention of realist political economy now and in the coming decades involve China, and American foreign policy towards China. China is rising and is an emerging great power; it borders other major powers and is implicated in a host of security issues; its demand for energy is a potential source of political friction with other states; its participation in any international political conventions related to the environment is essential; and, most notably, it is at the same time an important strategic rival of, and intimately enmeshed economically with, the United States. China benefits immensely from its ability to access the American market; and its massive dollar holdings

are a key pillar of support for the stability of the US dollar, which in the eyes of many observers rests upon otherwise shaky foundations.

From a realist perspective, this is not a pretty picture. It is a common assumption of realists that “as the power of a state increases, it seeks to extend ... its political influence, and/or its domination of the international economy” (Gilpin 1981: 106; cf. Kahler 1988: 451). At a minimum changes in the balance of power are inherently destabilizing. Realists tend to expect that due to collective action problems, the security dilemma, and, importantly, opposing interests, international cooperation will be hard to establish and maintain; and they are skeptical that economic interdependence will have an important ameliorating effect on tensions that arise in world politics. Thus, regarding the consequences of China’s rise, the default setting is pessimistic: China will become more ambitious, challenging the interests of other states; China’s participation in international agreements will be increasingly necessary for those agreements to have meaning, but cooperation between strategic rivals will be brittle; China’s interdependence with the United States will not inhibit political conflict, or even war, from breaking out between them.

Realists are therefore pessimistic about and wary of a rising China. But what does this suggest for policy? Here the pathologies of an over-reliance on structuralism become apparent. The exemplar of this is John Mearsheimer’s brand of structural realism, “offensive realism” (Mearsheimer 2001). According to Mearsheimer, states, motivated to ensure their own security, recognize that the safest position in the system is one of regional hegemony. Only a regional hegemon is secure in the knowledge that it will not be conquered by others. Thus, given the anarchic nature of the international system, states that can plausibly make bids for regional hegemony will do so, as a matter of their own assessment of their best chances for survival.

Applying this to China, Mearsheimer assumes that “it is certainly in China’s interest to be the hegemon in Northeast Asia,” and therefore, once it is wealthy enough, it will embark upon a bid for hegemony. The current US policy of engaging China is “misguided,” because “a wealthy China would not be a status quo power but an aggressive state determined to achieve regional hegemony.” Thus, Mearsheimer argues, the US should “reverse course and do what it can to slow the rise of China” (Mearsheimer 2001: 401–2).

This analysis illustrates the limits of structuralism, and it also violates several core assumptions of realism. While non-structural realism is pessimistic regarding the consequences of China’s rise, its tenets lead to the conclusion that engaging China is indeed the wisest strategy, in the only context that ever matters to realist analysis—that strategy compared to the likely consequences of other options. Offensive realism stumbles badly here for the reasons that should be expected—its insistence upon the absence of history and the irrelevance of domestic politics—and for one surprising reason: its embrace of idealism. The results are policy prescriptions that are naive, misguided, and not really *realist*.

Only a power with a complete ignorance of history would be quick to embark upon a bid for hegemony. For while it may be true that to be a regional hegemon is to be secure, getting there—to bid for hegemony—is to invite ruin, and for good realist reasons. Most states in history that have bid for hegemony have antagonized their neighbors and eventually elicited an encircling coalition that conquered them. Because, as realists expect, major powers and great powers prefer not to be threatened and pushed around—and China is in a crowded neighborhood, which includes Japan, Russia, India, and even Vietnam and Korea. If China pushes too hard, these states will likely push back. Thus,

yes, a rising China will almost certainly be more ambitious and assertive. It may even ultimately blunder into a disastrous bid for hegemony. But its future foreign policy trajectory is uncertain, at least in the eyes of a number of realists—China hands and Asian security specialists—who have considered this question (cf. Friedberg 2005: 7–45; Goldstein 2005; Christensen 2006: 81–126).

One important determinant of those foreign policy choices will be the evolution of domestic politics within China. Interdependence may not assure peace, but China's continued and internationally oriented economic growth will empower those within China who, however ambitious, prefer relatively friendly relationships with the outside world. On the other hand, economic distress within China would likely create a legitimacy crisis for the ruling Chinese Communist Party, which might then resort to a virulent nationalism in order to cling to power. At that point, the misguided bid for hegemony becomes more plausible.

Is this what the US should want? At best the “offensive realist” approach is a self-fulfilling prophecy. At worst, and likely, it is dangerously unfeasible as well. Realists throughout history have universally criticized the idealism and even utopianism of others, who see the world as they would like to see it, rather than respecting the realities of power. But this sort of idealism is exactly what Mearsheimer is advocating: facing the rise of China's power, the US should “make sure that China does not become a peer competitor” (Mearsheimer 2001: 400). This is utopia, not reality—the world as the US wants it, not the world as it is. (Could Britain in the nineteenth century have *made sure* that the US would not emerge as a great power?) The US can delay and make more difficult China's rise, but it cannot likely stop it. The real realist approach would be to acknowledge this, and try to manage it as best as possible. Structure is indeterminate. China's foreign policy future remains unwritten. Wary and pessimistic as they approach the table, and expecting the worst to come from changes in the balance of power, realists nevertheless place hedged bets on engagement.

Contemporary realist political economy thus remains as it has traditionally been, focused on the state, pursuing the national interest, in an environment defined by anarchy. For realists, politics remains primal: international politics are an essential and formative influence on the pattern of international economic relations, and states will be sensitive to the political consequences of their economic engagements abroad, and be especially alert to the potential dangers that might result from them. As a consequence, realists expect that states will prefer, when possible, to enhance their relative economic autonomy, and remain skeptical that interdependence will inhibit conflict between states.

These foundational principles remain cogent and applicable. Nevertheless, realist political economy has been sluggish in engaging some of the prominent phenomena of the early twenty-first century. Part of this is due to the conservative (analytical) disposition of realism, with its emphasis on continuity over change. But it is also due to that fact that realism has indeed stumbled on the question of globalization, failing to recognize it as a condition in which states dwell, rather than as a rebranding of interdependence, which applies more narrowly to the relations between specific states. And ironically, while essentially blind to globalization, realists have also been considerably addled by an otherwise myopic attention to aspects of the structure of the system—that is, to the distribution of power—at the expense of other important variables. This has left realism with a diminished voice, and to some extent singing a one-note tune at a time when a much broader range is essential. But this need not be. Realism, still true to its roots, can easily bring globalization on board, and, crucially, inform its analyses—as it has for

centuries—with appeals to domestic politics, history, ideology, and perceptions of legitimacy. As such, realism will continue to generate a productive and insightful research agenda regarding questions of contemporary political economy.

Notes

- 1 An attempt to elaborate and illustrate this mechanism can be found in Abdelal and Kirshner 1999–2000.
- 2 Late mercantilist James Stewart argued: “foreign trade, well conducted, has the necessary effect of drawing wealth from all other nations” (Stewart 1966 [1767]: 283, 363). On the conception of trade as zero-sum, according to Heckscher: “Scarcely any other element in mercantilist philosophy contributed more to the shaping of economic policy, and even of foreign policy as a whole” (Heckscher 1935: vol. II, 24). The balance of trade was of great concern to many prominent mercantilists, including Thomas Mun (1949 [1664]), indeed, the subtitle of the book is “Or, the Ballance of our Forraign Trade is the Rule of our Treasure” (cf. Mun 1949 [1664]: 83–86). Famed German mercantilist Johann Joachim Becher wrote “it is always better to sell goods to others than to buy goods from others, for the former brings a certain advantage and the latter inevitable damage” (Heckscher 1935: vol. II, 116). Heckscher argues that “this attitude became crystallized in a demand for an export surplus, a demand which was expressed in every possible way.”
- 3 The classic statement of the mercantilist conception of harmony between economic and political goals is Jacob Viner (1948). While compelling, this paper dramatically overstates the extent to which Heckscher argued that mercantilists were willing to sacrifice wealth in their pursuit of power. Heckscher was aware of the underlying harmony, and his discussion of power is a small part of a large book (cf. Heckscher 1935: 25–26, 29).
- 4 Note that Hamilton’s mercantilist themes are nevertheless longstanding (cf. Hamilton 1966 [1775]; List 1885: 133, 308–14, 351; Schmoller 1897).
- 5 These sentiments are stressed throughout the work. On p. 120, for example, List, in reference to Smith, states: “Although here and there he speaks of wars, this occurs only incidentally. The idea of a perpetual state of peace forms the foundation of all his arguments.”
- 6 The Cold War, it should be noted, also had something of a stifling effect, as most discussions of the economic roots of politics was shouted down in the 1950s and 1960s as Marxist, and even as this became untenable, in the 1970s and 1980s the bipolar nature of the Cold War (and Soviet communism) allowed for the separation of political economy and security studies (Mastanduno 1998: 826; Kirshner 1998).
- 7 On the prominent role of interdependence for liberal theories of war and peace see Keohane and Nye (1977); Moravcsik (1997: 520–21, 528–30).
- 8 For an entrée into this enormous literature see Baldwin (1993).
- 9 The collective bargaining agreement of the National Basketball Association, for example, acknowledges a fight over relative, not absolute gains; it sets player’s salaries at 48.04 percent of Basketball Related Income (BRI). On difficulties in distinguishing underlying motives see Mastanduno (1991: 73–113). For an example of how difficult it is to distinguish these behaviors in settings where security concerns should be salient, see Liberman (1996: 147–75).
- 10 Cf. Gilpin, which anticipates a system of “loose regional blocs” (1987: 395, 397).
- 11 This passage draws on Kirshner in Kirshner (2006).
- 12 On the heterogeneous effects of globalization on the prospects for war: cf. Brooks (2005); Kirshner (2007). On new conflicts see Kaldor (2001); Hoffmann (2002); Kurth Cronin (2003).
- 13 Indeed, realists would note that much of contemporary globalization was encouraged by states that made the calculation that such changes would advance the national interest (cf. Helleiner 1994).
- 14 For a good discussion some of these issues see Nye (1988: 235, 242, 245).