The Liberal Paradigm
Pedigree of the Liberal Paradigm

Rousseau (18c) → Kant (18c)

LIBERALISM (1920s)  
(Utopianism/Idealism)

Neoliberalism (1970s)

Neoliberal Institutionalism (1980s-90s)
## Major Strands of Neoliberal Theory

<table>
<thead>
<tr>
<th>Variant</th>
<th>Level of Analysis</th>
<th>Departure from Realism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liberal Institutionalism</td>
<td>System. Accepts basic assumption of realism (anarchy and importance of distribution of power).</td>
<td>Anarchy does not necessarily lead to conflict and can be mitigated through institutions. Sustainable cooperation is possible.</td>
</tr>
<tr>
<td>Complex Interdependence Theory</td>
<td>Sub-state, transnational, and transgouvernmental but not exclusively. Focuses on individuals, firms, NGOs, and organizations within governments as actors, and their interactions across national borders.</td>
<td>States are not the only important actors. Actors have diverse interests in international politics. Much of IR has little to do with military security.</td>
</tr>
<tr>
<td>Democratic Peace Theory/Liberal Internationalism</td>
<td>State. Focuses on what kind of government the state has.</td>
<td>States are <em>not</em> all essentially the same. Liberal (democratic) states can solve disputes without war.</td>
</tr>
</tbody>
</table>
Theoretical Assumptions

- At the individual level
  - The fundamental actors are rational individuals and private groups.
  - The individual is basically good in nature. And human nature will change with shifts in the societal environment.

- Neoliberalism pays less attention to the impact of individuals.
Theoretical Assumptions

- At the state level
  - States are central actors in IR, but non-state actors – international organizations, NGOs, multinational corporations, and civil society groups – are also important.
  - States are non-unitary actors and seek to advance a broad array of material self-interests (security, wealth, power).
Theoretical Assumptions

- At the international system level
  - Anarchy is a source of distrust between states
  - Outcomes in the international system are generated by three main systemic variables:
    - The distribution of power among states
    - Level of interdependence
    - Level of institutionalization
Theoretical Hypotheses

Conflict and Cooperation

- The liberals identify two types of conflict:
  - Deadlock: irresolvable conflicts of interest
  - Tragedy: conflict despite a mutual interest in cooperation.

- Neoliberal institutionalism does not seek to explain conflict; they focus on the conditions of cooperation.
Theoretical Hypotheses

- Conflict and Cooperation
  - The liberals identify three types of cooperation:
    - Coincidental cooperation (harmony)
    - Coercive cooperation
    - Coordinative cooperation
  - Coordinative cooperation is mainly what neoliberal institutionalism seeks to explain.
Harmony (Coincidental cooperation)

<table>
<thead>
<tr>
<th></th>
<th>Actor B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>C</td>
</tr>
<tr>
<td>Actor A</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>4,4 (P,N)</td>
</tr>
<tr>
<td>D</td>
<td>3,2</td>
</tr>
</tbody>
</table>
The Prisoner’s Dilemma (General case)

<table>
<thead>
<tr>
<th></th>
<th>C Cooperate</th>
<th>D Defect</th>
</tr>
</thead>
<tbody>
<tr>
<td>C Cooperate</td>
<td>3, 3 (P)</td>
<td>1, 4</td>
</tr>
<tr>
<td>D Defect</td>
<td>4, 1</td>
<td>2, 2 (N)</td>
</tr>
</tbody>
</table>
Stag Hunt (Assurance, Coordination)

Actor A

<table>
<thead>
<tr>
<th></th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>4,4 (P,N)</td>
<td>0,2</td>
</tr>
<tr>
<td>D</td>
<td>2,0</td>
<td>2,2 (N)</td>
</tr>
</tbody>
</table>

Actor B

C = Stag; D = Hare
Pareto Frontier: where all possible gains from exchange between parties has been achieved, and it is impossible to make one party better off without making someone else worse off.
Theoretical Hypotheses

- **Conflict and Cooperation**
  - While the realists think cooperation is difficult, the neoliberals believe cooperation is possible and can be sustainable.
  - Because they see the major problems working against the prospects for international cooperation differently.
  - This aspect of liberal theory has been elaborated by Keohane in his so-called neoliberal institutionalism.
Neoliberal institutionalism (Keohane)

- Anarchy is a source of distrust between states
- States are the most important actors
- States are unitary actors (‘as if’ assumption)
- States are rational and self-interested actors
- The power of states is an important factor: strong powers are less easily constrained
- However institutions are an independent force and can stimulate cooperation between states
Theoretical Hypotheses

- **Absolute vs. Relative Gains**
  - The liberals believe that states are mainly concerned with absolute gains.
  - States are motivated by the search for opportunities to cooperate that will produce absolute gains for all parties to the cooperative exchange.
  - Thus, the major problem is cheating.
  - Neorealists disagree: neoliberal institutionalists overlook the problem of security under anarchy.
<table>
<thead>
<tr>
<th>Neorealism</th>
<th>Cheating (Uncertainty of intentions, incredibility of commitments, the fear and reality of free-riding. The prospects for cheating increase as the number of players increases)</th>
<th>Conflict over the relative distribution of benefits and its effects on the relative power/security position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neoliberal institutionalism</td>
<td>Cheating (idem)</td>
<td></td>
</tr>
</tbody>
</table>
Theoretical Hypotheses

- **Absolute vs. Relative Gains**
  - What type of gains matter?
  - Maybe both. It depends on the issue and the stakes involved.
    - Security or economy?
    - Relative gains to threatening enemies or to unthreatening allies?
  - Concerns for relative and absolute gains are variables, not constants.
Absolute vs. relative gains

- Neoliberals stress absolute gains

**Neoliberal** utility function: \( U_1 = V_1 \)

- Realists stress relative gains

**Realist** utility function \( U_1 = V_1 - k(V_2 - V_1) \)

\( k > 0 \)

\( K \) small in case of security community, ally

\( k \) big in case of conflict of interest; enemy
Theoretical Hypotheses

Cheating Concerns and Their Solutions

- How do states overcome cheating problems?
- The liberal answer is international institutions.
- Three strategies:
  - Iteration
  - Linkage
  - Side-payments
Theoretical Hypotheses

- **Cheating Concerns and Their Solutions**
  - **Iteration**: repeated interaction between states.
  - Lengthens the “shadow of the future”.
  - Introduces “reputation costs”, which discourages defection.
  - Allows explicit strategies of conditional reciprocity.
  - Allows issue decomposition.
Theoretical Hypotheses

- Cheating Concerns and Their Solutions
  - Linkage: linking cooperation in one area to other issues.
  - Changes the cost-benefit calculation by increasing the costs of defection.
  - If two players have cooperation in many issues, not just one issue, they will think twice if they want to defect.
Theoretical Hypotheses

Cheating Concerns and Their Solutions

- Side-payments: offering additional inducements if your opponent cooperates.
  
  - Changes the cost-benefit calculation by increasing the benefits to cooperation.
  
  - This strategy quite same the second one. They are two sides of one coin.
Theoretical Hypotheses

Cheating Concerns and Their Solutions

- These “solutions” to the cheating problem can occur in the absence of international institutions. But without international institutions, cooperation continues to be plagued by two types of “costs”.
  - Transaction costs
  - Information costs
Theoretical Hypotheses

Cheating Concerns and Their Solutions

What are international institution?
- Defined as persistent and connected sets of rules (formal and informal) that prescribe and proscribe behavioral roles, constrain activities, and shape expectations about likely behavior.
- Liberals stress the importance of international institutions.
Theoretical Hypotheses

Cheating Concerns and Their Solutions

International institutions make cooperation more likely.
• Reduce transaction costs by creating a set of procedures for negotiations.
• Reduce information costs by providing forums for discussion and dissemination of information.
• Decrease uncertainty.
• Coordinate enforcement efforts.
• Facilitate issue-linkage.
Theoretical Hypotheses

- **Institution Debate**
  - Where do international institutions come from?
    - Supply – the neorealists see institutions as the creation of powerful states.
    - Demand – the neoliberal institutionalists see institutions as arising out of the “functional” needs of overcoming suboptimal outcomes.
Theoretical Hypotheses

➢ Institution Debate

Do international institutions matter?
• Neorealism answers: No.
  • Cooperation emerges from common interests not institutions.
• Neoliberal institutionalism answers: Yes.
  • Institutions facilitate cooperation. They also shape future behavior by changing the cost-benefit calculations.
Theoretical Hypotheses

Institution Debate

- When do institutions change?
  - The neorealists: when the distribution of power changes. (dependent variables)
  - The neoliberal institutionalists: institutions are “sticky”: they may persist even when the distribution of power changes. (independent variables)
Theoretical Hypotheses

- **Stability and Peace**
  - Politics is not seen as zero-sum.
  - Holds that reason and ethics can overcome international anarchy to create a more orderly and cooperative world.
  - Emphasizes establishing stable democracies as a way to reduce conflict (liberal internationalism).
  - Emphasizes free trade because it helps prevent disputes from escalating into war.
Theoretical Hypotheses

- Stability and Peace

  - The liberals give five prescriptions on how to make international peace:
  - Collective security
  - Pluralistic security community
  - Democratic peace
  - Complex interdependence
  - International institutions and regimes
Theoretical Hypotheses

- **IGOs, NGOs, and International Law**
  - Intergovernmental organizations (IGOs) are international agencies or bodies established by states that deal with areas of common interests.
  - Nongovernmental Organizations (NGOs) are private associations of individuals or groups.
  - International law is law that regulates interactions between states.
Theoretical Hypotheses

IGOs, NGOs, and International Law

Roles of IGOs

- In international system, IGOs contribute to habits of cooperation; via IGOs, states become socialized in regular interactions.
- For states, IGOs enlarge the possibilities for foreign-policy making and add to the constraints under which states operate.
- IGOs also affect individuals by providing opportunities for leadership.
Theoretical Hypotheses

IGOs, NGOs, and International Law

Roles of NGOs

• They advocate specific policies and offer alternative channels of political participation.

• They mobilize mass publics.

• They distribute critical assistance in disaster relief and to refugees.

• They are the principal monitors of human rights norms and environmental regulations and provide warnings of violations.
Theoretical Hypotheses

- **IGOs, NGOs, and International Law**
  - **Roles of international law**
    - It sets expectations, provides order, protects the status quo, and legitimizes the use of force by a government to maintain order.
    - It provides a mechanism for settling disputes and protecting states.
    - It serves ethical and moral functions.
## The Liberal Paradigm

<table>
<thead>
<tr>
<th>Key actors</th>
<th>States, IGOs, NGOs, MNCs</th>
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<tbody>
<tr>
<td>View of the individual</td>
<td>Basically good; capable of cooperation</td>
</tr>
<tr>
<td>View of the state</td>
<td>Not an autonomous actor; not always a rational actor; having many interests</td>
</tr>
<tr>
<td>View of the international system</td>
<td>Interdependence; international society; anarchy but possible to mitigate; change is probable and a desirable process</td>
</tr>
<tr>
<td>Core concerns</td>
<td>Economic prosperity; cooperation and absolute gains; international stability and peace</td>
</tr>
</tbody>
</table>
## PARADIGM IN BRIEF

### The Liberal Paradigm

<table>
<thead>
<tr>
<th>Major approaches</th>
<th>Collective security; pluralistic security community; democratization; complex interdependence; int’l institutions</th>
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<tbody>
<tr>
<td>Policy prescriptions</td>
<td>Develop regimes and promote democracy and int’l institutions to coordinate cooperation and secure int’l stability</td>
</tr>
<tr>
<td>Central concepts</td>
<td>Int’l institution; int’l regime; economic interdependence; cooperation</td>
</tr>
<tr>
<td>Major theorists</td>
<td>Wilson, Keohane, Nye, Ikenberry</td>
</tr>
</tbody>
</table>
In Sum: Contributions and Limitations

➢ Contributions

- It presents a fresh explanation for contemporary international politics.
- It focuses on the issue of international cooperation and develops an alternative theory to realism.
- It also provides very useful guidelines for decision makers.
In Sum: Contributions and Limitations

- **Limitations**
  - Its subject of study is too narrow, only what the realist theory fails to explain, i.e. coordinative cooperation.
  - It is too optimistic toward the role of international institutions and regimes.
  - It fails to take conflictual aspects of state interests, nationalism, security concerns of states into consideration.