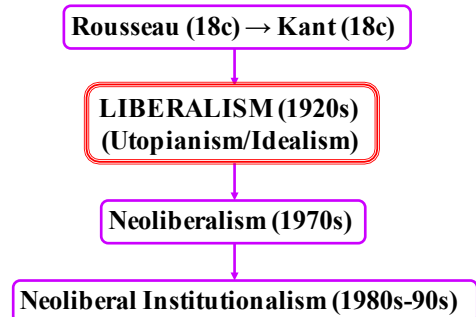


## Liberalism and Neoliberalism

### Pedigree of the Liberal Paradigm



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### Major Strands of Neoliberal Theory

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

### 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.

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### 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).

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### 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

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## 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.



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## 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.



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## Harmony (Coincidental cooperation)

		Actor B	
		C	D
Actor A	C	4,4 (P,N)	2,3
	D	3,2	1,1

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## The Prisoner's Dilemma (General case)

		Actor 1	
		C Cooperate	D Defect
Actor 2	C Cooperate	3, 3 (P)	1, 4
	D Defect	4, 1	2, 2 (N)

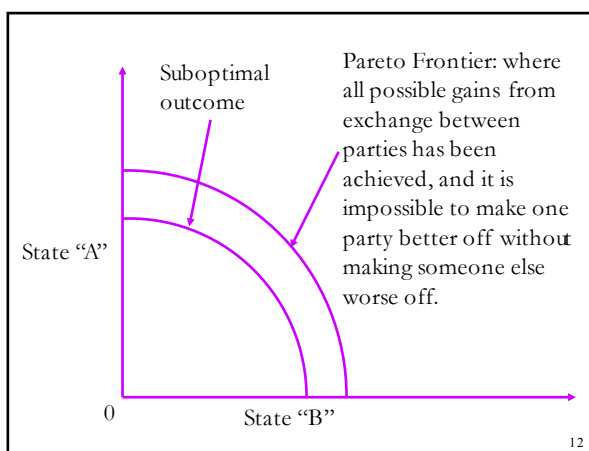
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## Stag Hunt (Assurance, Coordination)

		Actor B	
		C	D
Actor A	C	4,4 (P,N)	0,2
	D	2,0	2,2 (N)

C = Stag; D = Hare

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## 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**

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## 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

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## 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

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Neorealism	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)	Conflict over the relative distribution of benefits and its effects on the relative power/security position)
Neoliberal institutionalism	Cheating (idem)	

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## 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.

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## Absolute vs. relative gains

- Neoliberals stress absolute gains

**Neoliberal** utility function:  $U_i = V_i$

Gain state 1

- Realists stress relative gains

**Realist** utility function  $U_i = V_i - k(V_2 - V_1)$

Gain state 1

Gain state 2

Sensitivity to relative gains

$k > 0$   
 $k$  small in case of security community, ally  
 $k$  big in case of conflict of interest, enemy

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## 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



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## 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.



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## 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.



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## 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.



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## 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



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## 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.



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## 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.

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## 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.

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## 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.

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## Theoretical Hypotheses

### ➤ Institution Debate

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

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## 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.

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## 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

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## 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.

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## 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.

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## 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.

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## Theoretical Hypotheses

### ➤ IGOs, NGOs, and International Law

#### ❑ Roles of international law

- It sets expectations, provides order, protects the status quo, and legitimates 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.

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### PARADIGM IN BRIEF

#### The Liberal Paradigm

Key actors	States, IGOs, NGOs, MNCs
View of the individual	Basically good; capable of cooperation
View of the state	Not an autonomous actor; not always a rational actor; having many interests
View of the international system	Interdependence; international society; anarchy but possible to mitigate; change is probable and a desirable process
Core concerns	Economic prosperity; cooperation and absolute gains; international stability and peace

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### PARADIGM IN BRIEF

#### The Liberal Paradigm

Major approaches	Collective security; pluralistic security community; democratization; complex interdependence; int'l institutions
Policy prescriptions	Develop regimes and promote democracy and int'l institutions to coordinate cooperation and secure int'l stability
Central concepts	Int'l institution; int'l regime; economic interdependence; cooperation
Major theorists	Wilson, Keohane, Nye, Ikenberry

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## 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.



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## 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.



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