Liberalism and Neo-Liberalism

- Different operational assumptions from Realisms
  - Units of analysis include the state, interest groups, or international institutions
  - Neo-liberal institutionalists accept the state as a unit of analysis.
  - Goal of the state is no longer simply security as defined by relative power.
    - State’s purpose defined as well-being of citizens.
  - Power is less fungible than is portrayed by Realists.
Liberals (neo-liberals)

- State activity is structured by an international system characterized by anarchy (as with neo-realists.)
  - Security/ Prisoner's dilemma can be mitigated for progress by a number of means.
    - Interactions between states create norms of behavior.
    - Hegemonic state enforces norms, distributes sanctions to solve collective actions problems.
    - Institutions developed to monitor and enforce compliance.
    - Institutions solve collective action problems in absence of hegemonic state.
Sources of Cooperation

- **Functionalism** argues the spillover effect, instead of conflict-cooperation.
  - Cooperation on technical aspect, earthquake relief, water project, EURATOM, ECSC etc.
  - Interaction of experts and politicians creates norms and opportunities for other cooperation.
  - Increased political interaction and institutions for solving problems, create closer links.
Neo-functionalism continued

- Ernst Haas, and Joseph Nye- national, sub-national units of analysis.
  - Accidental linkage between tasks; spillover
    - Creates reciprocity and building trust.
    - Creates communication networks between interest groups or communities.
  - Institutions created to reduce costs of interactions (transaction costs.)
  - Deliberate linkages, logrolling style linkages among politicians or specialists.
  - Epistemic communities
    - Development of shared “best practices” expectations and norms among technocrats, politicians business elites.
  - Involvement of External Actors in process-
    - NGO’s, IGO’s, outside governments.
Neo-liberalism: Cooperation and regimes

- Cooperation stems from goals of absolute gains over relative gains.
  - Alters payoff structure to make CC outcomes, absolutely better than DD outcome—Pareto optimality
  - Reciprocity strategy can mitigate security dilemma, other issues in repeated interaction scenarios
  - Interactions generate norms and expectations, also generate interaction costs.
Reducing Transaction (Transparency costs)

- Defection a potential cost in multi-n situations, stag hunt or public good payoff structure.
  - Repeated interaction makes the potential of defectors (free-riders) who gain from the system without contributing a potential problem.
- Two possible solutions;
  - Hegemonic state absorbing costs of enforcement and monitoring
    - Any problems?
  - Institutions to reduce costs of enforcement to any single unit.
- Some neo-liberals expect hegemonic state to be necessary to back-up institutions.
Transaction costs analysis

- Some neo-liberals borrowed from institutional economics, Williamson’s transaction cost analysis.
  - Organizations, and regimes arise to mitigate the costs associated with repeated interactions.
  - S.O.P’s and communication systems will be formed to deal with repeated, similar situations.
  - Development, again of norms and expectations that elicit specific or diffuse retribution (costs) if violated.
Interdependence

Keohane and Nye (1977) developed concept of interdependence and complex interdependence. Redefined national interest.

- Characterized by individuals and transnational actors gaining importance.
- Level of interactions between states so great that mutual dependence exists.
- Sanctions or defection has costs among domestic interest groups - whose success helps define national interest.
- High politics (security and survival - or mercantilism) no dominance over low politics (trade and social affairs.)
  - Different forms of power (not force) are much more useful as force disrupts relationships.
Asymmetrical Interdependence

- Interdependence sensitivity versus vulnerability.
  - Sensitivity: Defection against rivals or international norms will cause costs in non-central sectors.
  - Non-military Vulnerability: Defection in this sector can bring substantial costs from hegemonic state or partners, also tends toward defensive posture.
  - Military Vulnerability: States may use military force against rivals in retaliation for defection, but heavier cost is born by weaker states. Less likely in parity situations.
Complex Interdependence

- Liberalism’s Ideal type
  - Multiple channels: Societies are connected by complex financial, trade and social relationships. Epistemic communities and friendships among elites inform policy.
  - Absence of hierarchy among issues: Security no longer dominates the state agenda. Issues of trade, environment, investment, travel share agenda and require coordination.
  - Military force is not used within interdependent group, or on issue area.
## Comparison

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Neo-Realism</th>
<th>Neo-/Liberalism</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational Perspective</strong></td>
<td>IS Conflictual- has been, will be.</td>
<td>IS Cooperative in general</td>
</tr>
<tr>
<td><strong>Nature of System</strong></td>
<td>Anarchy; security dilemma dominates, states balance in either bipolar (bandwagon) or multi-polar structure.</td>
<td>Anarchy with hierarchical structure. Order provided by hegemonic state or regimes and institutions</td>
</tr>
<tr>
<td><strong>State’s role in system</strong></td>
<td>Conditioned by IS structure - security dilemma</td>
<td>Also conditioned by IS- but not security dominant</td>
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</tbody>
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*From Bueno de Mesquita 2006*
Comparison Continued

<table>
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<tr>
<th>Characteristics</th>
<th>Neo/Realism</th>
<th>Neo/Liberalism</th>
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<tbody>
<tr>
<td>Goals of State</td>
<td>Power and security</td>
<td>State capability and domestic well-being.</td>
</tr>
<tr>
<td>Nature of Power</td>
<td>Power is fungible and relative. All interactions</td>
<td>Power is not fungible, and quantified by</td>
</tr>
<tr>
<td></td>
<td>zero sum.</td>
<td>capability. Not zero sum</td>
</tr>
<tr>
<td>Outcomes</td>
<td>System is stable in bipolarity, less so in</td>
<td>Cooperation possible</td>
</tr>
<tr>
<td></td>
<td>multi-polar (offensive realists).</td>
<td>and broadly necessary</td>
</tr>
<tr>
<td>Effectiveness</td>
<td>Explains conflict, fails to explain cooperation</td>
<td>Explains cooperation, some vague terms</td>
</tr>
<tr>
<td></td>
<td>that exists</td>
<td>difficult to quantify</td>
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