Liberalism: markets and interdependencies

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Outline

- Liberalism in International Relations
- Liberalism: agency and structure
- A complex interdependence

Liberalism in IR

- International system (IS) is **anarchically organized**
- **But**, the **effects of anarchy** are **mediated by institutions** and **interdependencies**
- The IS consists of **national states and non-state actors** such as firms or NGOs
- **Conflict** is **not** an **inherent feature** of the IS
- The **domestic level processes are important** for our understanding of international politics ("bottom-up" perspective)

Economic theories' influence

- Liberalism has been heavily influenced by economic theory

- **Neoclassical economics:**
  - market mechanism

- **Neoinstitutional economics:**
  - institutional context of market functioning (e.g. transaction costs)
  - direct influence on neoliberal institutionalism (Keohane & Nye)

Agency

- **Agency:** concept of a social actor
  - Actor: an entity that is able to make decisions
- Liberalism holds rather **optimistic view** of agency

- Two variants:
  - **Classical Liberalism:** assumption of an essential harmony of interests
  - **Neo-variants of Liberalism:** agency based on rational actor model where actors maximize their utility

Agency: methodological individualism

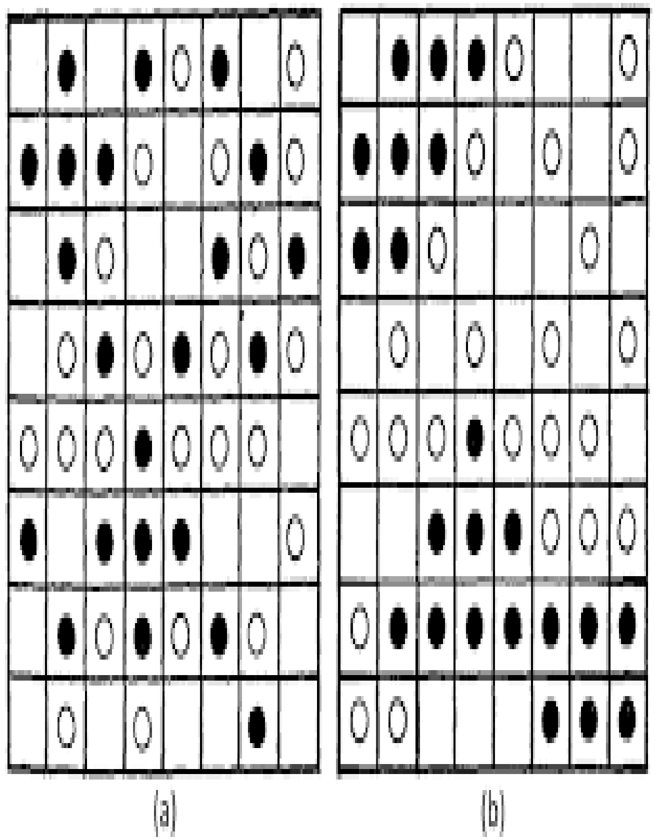
- Neo-variants of Liberalism are based on **methodological individualism** (MI)

- MI assumes that **structures result from actors' interactions** and stresses the individual (actor) level of explanation

- → The emergence of complex **higher-level phenomena**, such as a segregation or war, **can be explained by actors' interactions**

The Schelling's segregation model

- In 1971, Thomas Schelling developed an **agent-based model** to explain emergence of segregation
- The model is populated by **two groups of agents**
- Each agent seeks a position with a **minimum share of the neighboring agents is from the same group**
- Each agent scans the adjacent patches, if the criteria of the minimum share is not achieved, the agent moves randomly
- When all agents find satisfactory position, they stop moving = **equilibrium is achieved**

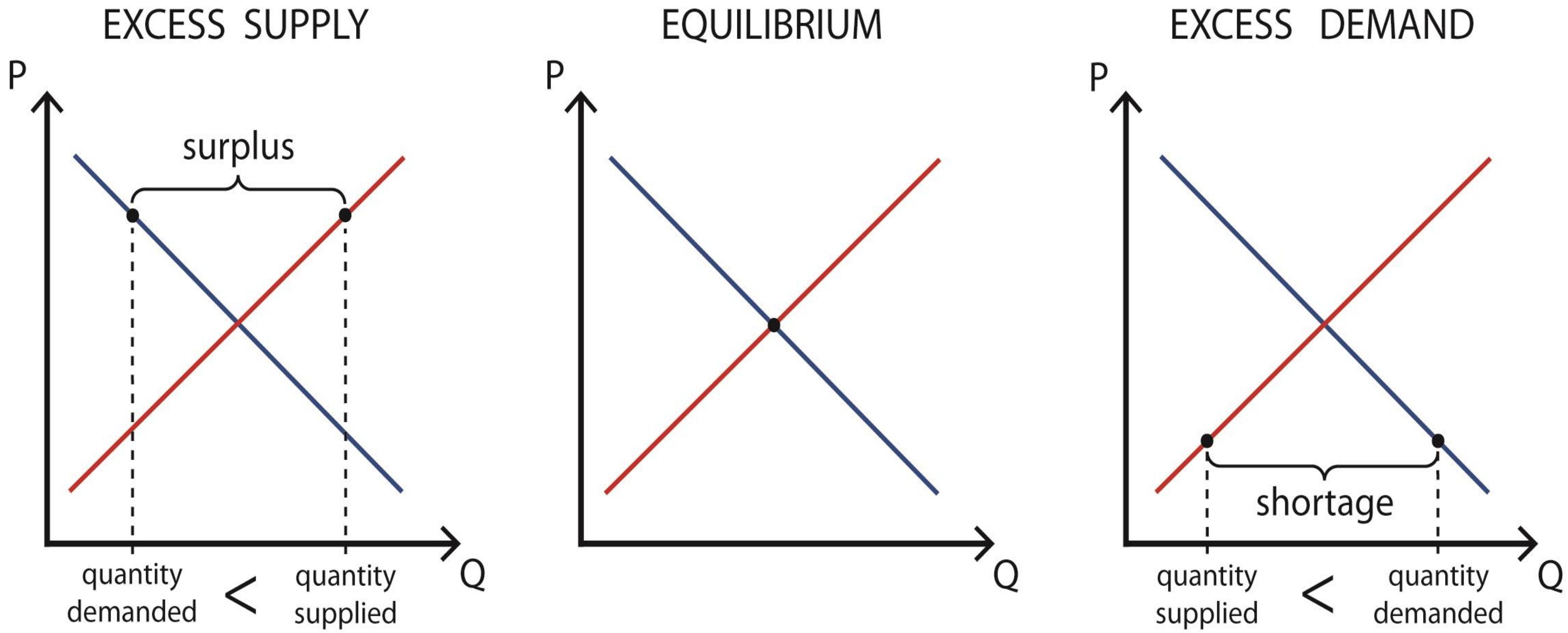


Structure: a market

- **Structure:** a context that enables and constraints actions of actors

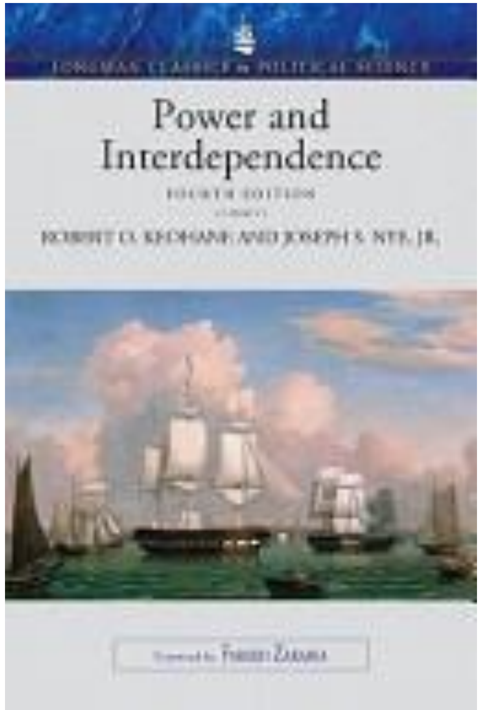
- **Neoclassical economics:** a market mechanism
    - Aggregates actors' interests
    - Effectively distributes their resources
    - Provides information (signals) about the environment

Supply / demand



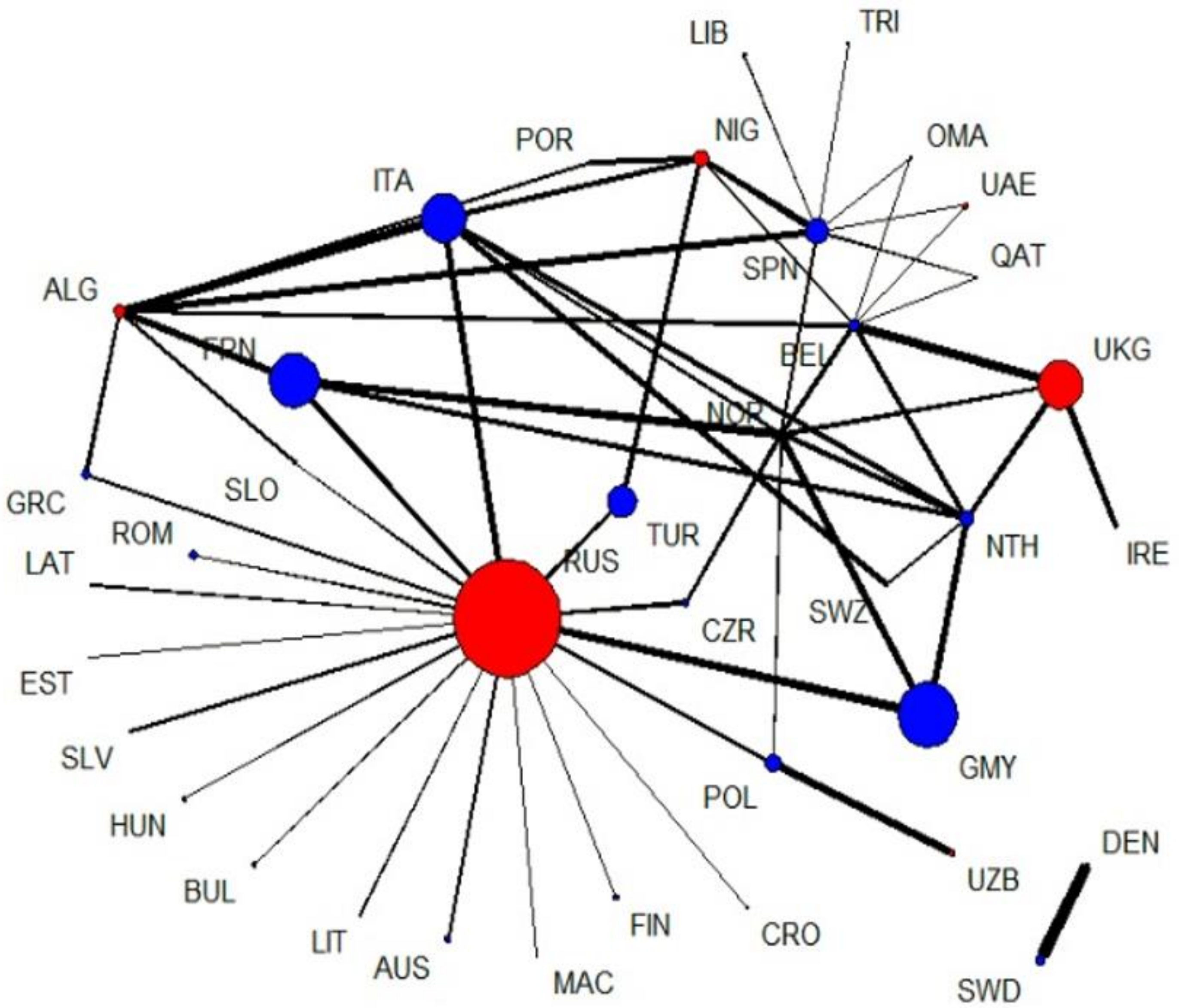
Structure: a complex interdependence

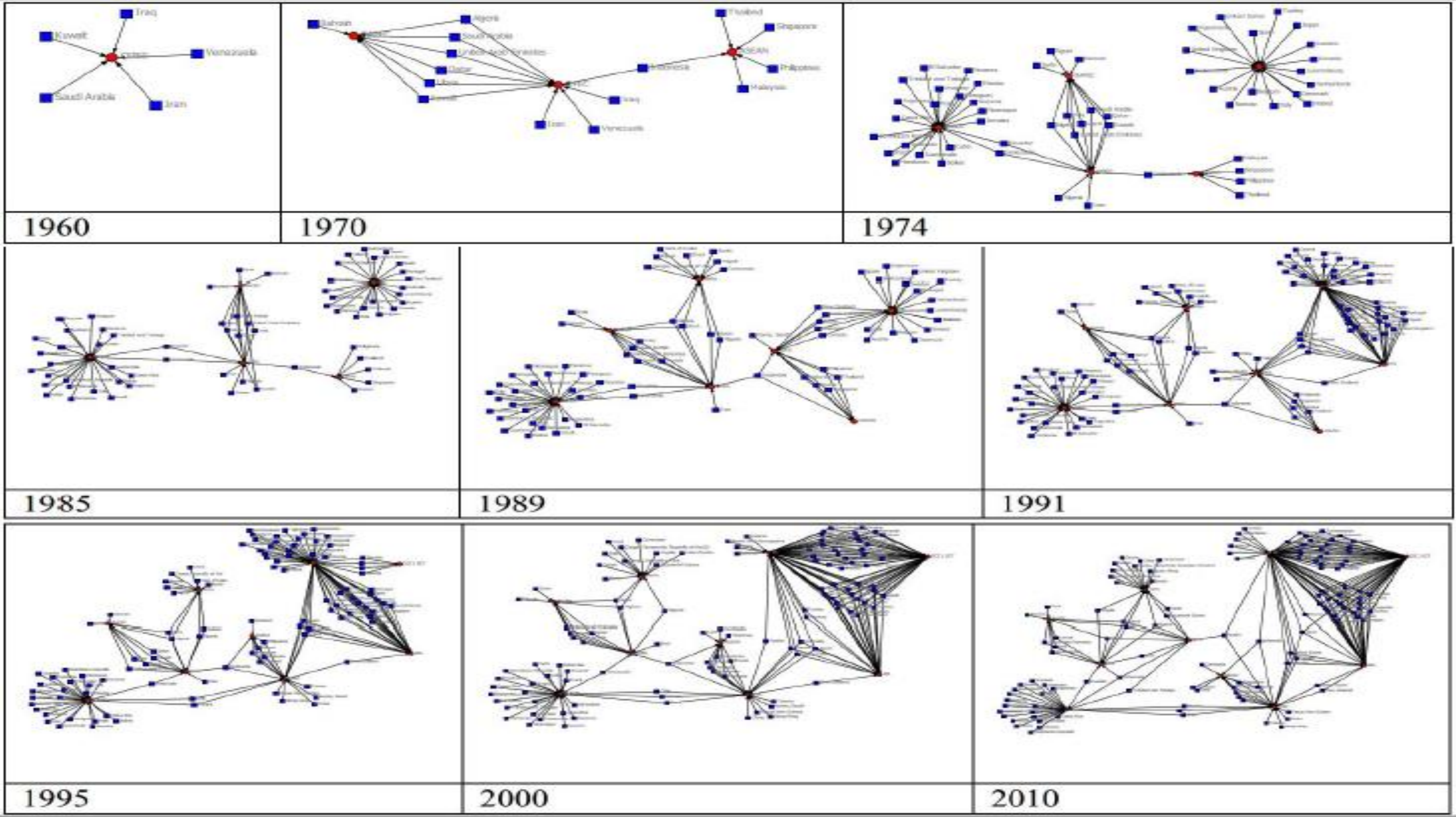
- **Neoliberal institutionalism:** a complex of institutions and interdependencies



- **Complex interdependence:**
  - **Weakened state-centrism:** trans-/national and governmental relations
  - Borders between i**nternational/domestic** and **high/low politics** are **eroding**
  - States' behavior is influenced by **international regimes** and **interdependencies**

Natural gas flows




Iraq
Kuwait
Venezuela
Saudi Arabia
Iran
1960
Bahrain
Algeria
Qatar
Libya
Kuwait
Indonesia
Iraq
Iran
Venezuela
Thailand
Singapore
Philippines
Malaysia
1970
1974
1985
1989
1991
1995
2000
2010

Structure: international regime

- **International regime:** an intentionally created institution that establishes norms and principles according to which actors' expectations about a particular issue converge

- Regimes are often "complemented" by **international organizations**
- International regimes have **a (semi)autonomous status**

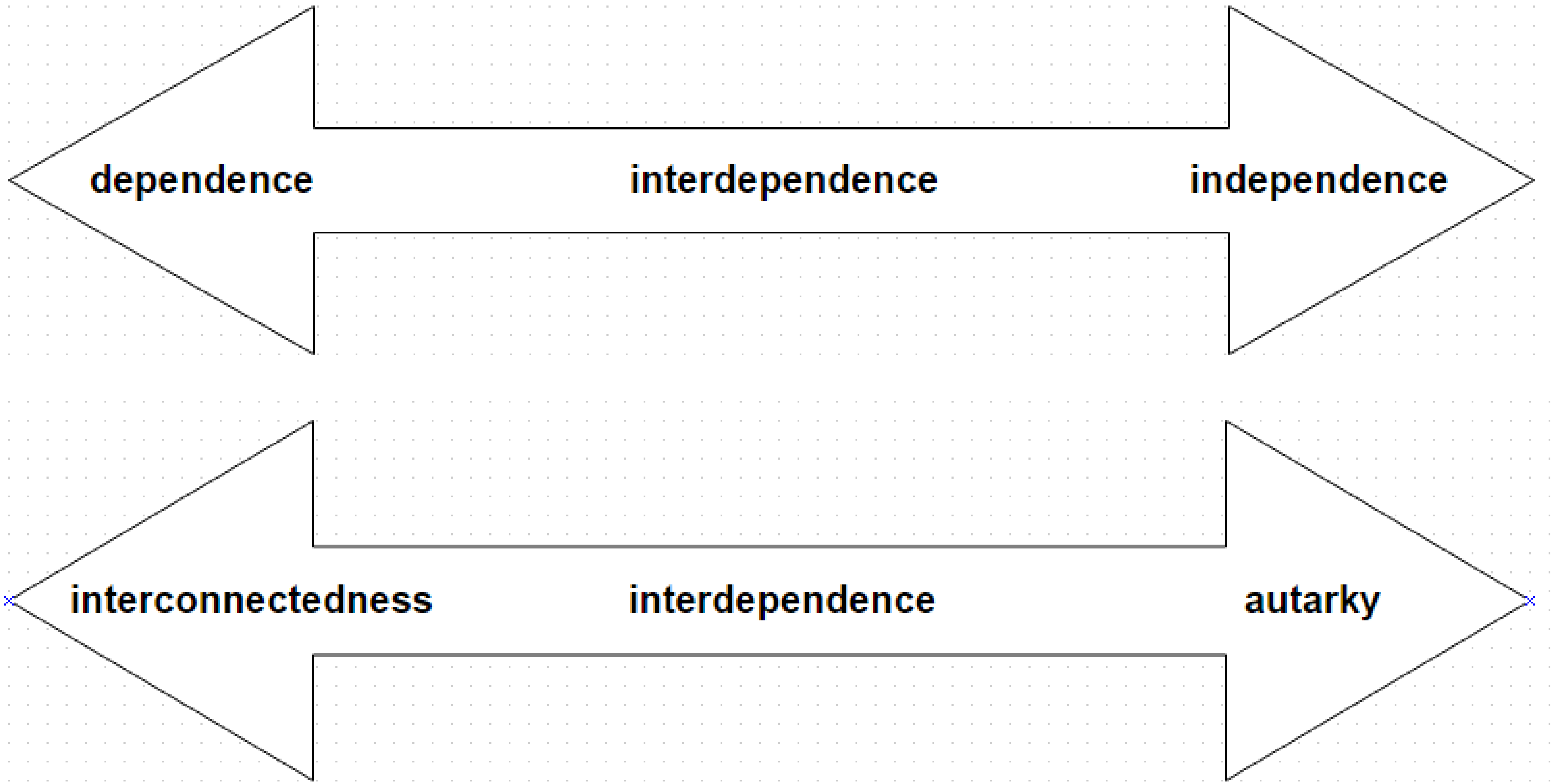
- **Functions of regimes** (Keohane 1982)**:**
  - Convergence of expectations
  - Reduction of uncertainties
  - Reduction of transaction costs

Structure: interdependence

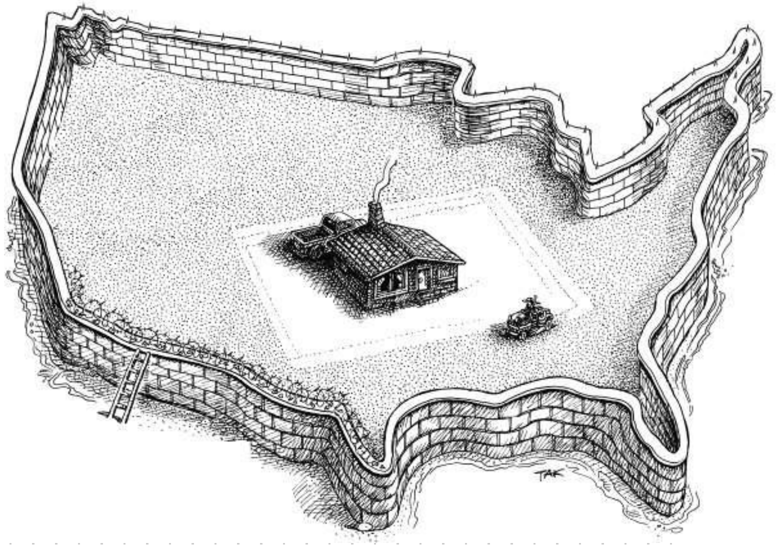
The boat was leaky, the sea heavy, and the shore a long way of. It took all the efforts of the one man to row, and of the other to bail. If either had ceased both would have drowned. At one point the rower threatened the bailer that if he did not bail with more energy he would throw him overboard; to which the bailer made the obvious reply that, if he did, he would certainly drown also. And as the rower was really dependent upon the bailer, neither could use force against the other.

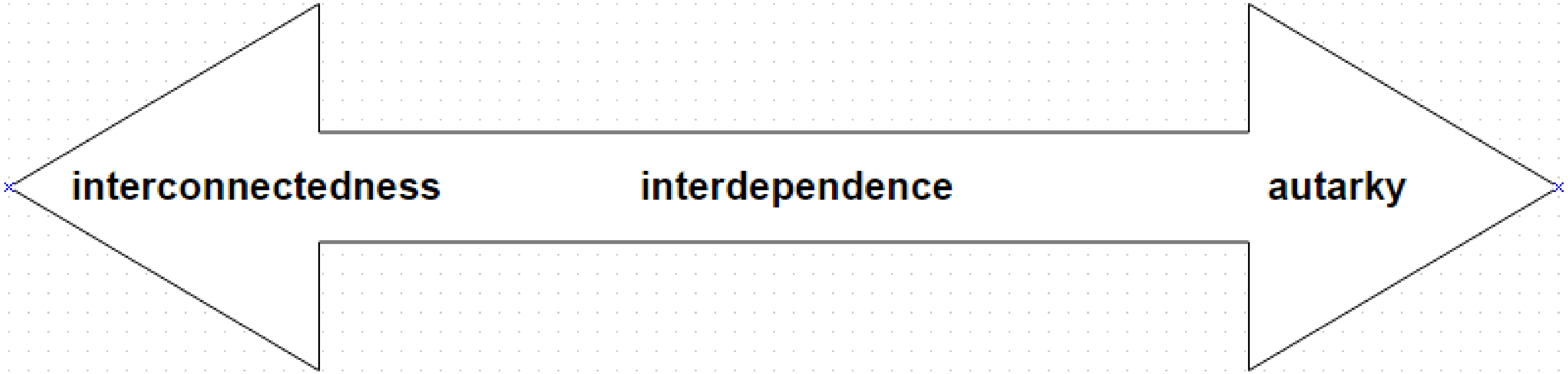
Norman Angell, *The Great Illusion* 1910

Structure: interdependence



Structure: interdependence



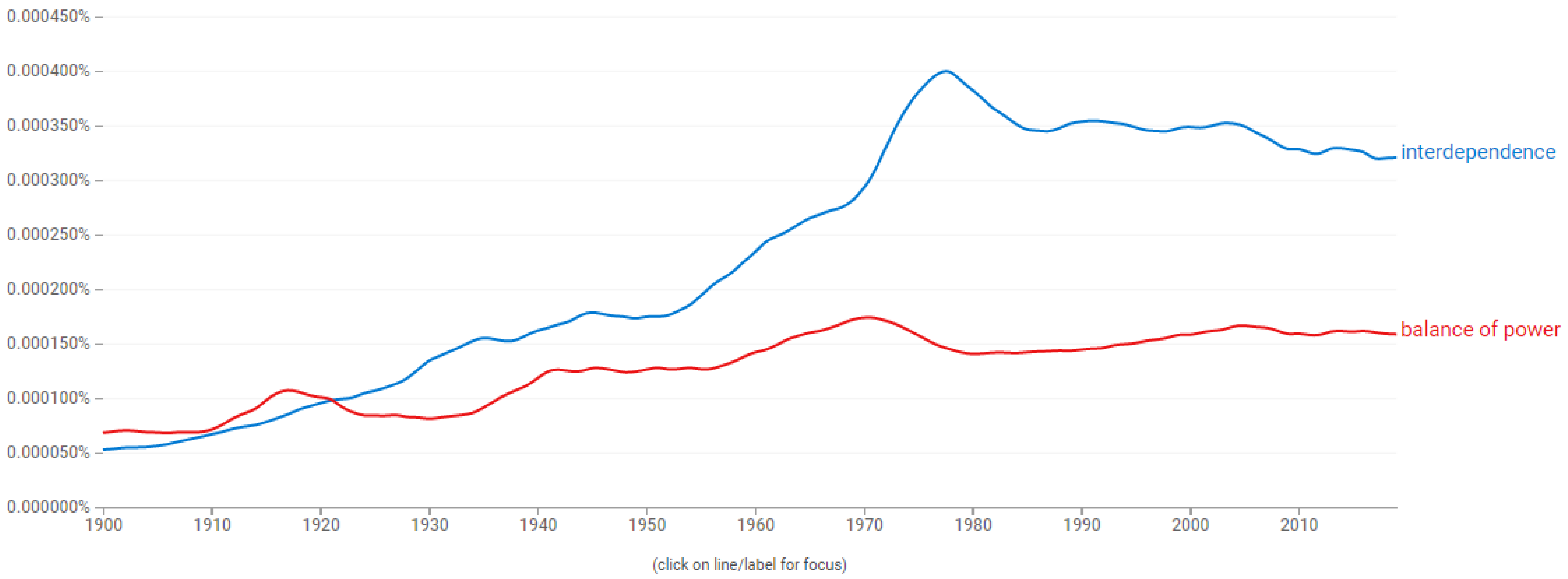


(inter)dependence vs. (inter)dependency

- (inter)**dependence** ~ (mutual) bilaterally defined relation
    - E.g.: import dependence, security dependence, capital dependence etc.
    - → issue specific, narrowly defined relations

- **dependency** ~ structurally defined relation
    - A complex relationship between center and (semi)periphery
    - → a broad pattern of relations that maintains underdevelopment of periphery

Frequency of the terms in Google corpus



Structure: an interdependence

- **Interdependence:** a relation of mutual, typically, asymmetrical dependence that, when disrupted, brings significant costs and constraints to both parties.

→ It is not possible to a priori say whether the costs of disruption overweight the benefits.

→ The "**strategic commodity**" per se does not exist - its importance is given by **cost/benefit calculation**.

Source: Jim Morin, *The Miami Herald*, King Features Syndicate, 1989

Interdependence: sensitivity

- **Sensitivity:** given by an (in)ability to decrease externally imposed costs **before (or without) adaptation measures** are implemented

  (1) How high are the costs?

  (2) How quickly the costs come?

- What could be examples of regulation or policy responses that decrease sensitivity?

Interdependence: sensitivity

- **Sensitivity:** given by an (in)ability to decrease externally imposed costs before (or without) adaptation measures are implemented

  (1) How high are the costs?

  (2) How quickly the costs come?

- **E.g.:** utilization of storage capacities, spot market trade, activation of diversification contracts etc.

Interdependence: sensitivity

Interdependence: vulnerability

- **Vulnerability:** given by an (in)ability to decrease externally imposed costs **after adaptation measures (AM)** are implemented

  (1) How high are the costs after the AM are implemented?

  (2) How quickly the costs decrease after the AM are implemented?

- What could be examples of regulation or policy responses that decrease vulnerability?

Interdependence: vulnerability

- **Vulnerability:** given by an (in)ability to decrease externally imposed costs **after adaptation measures (AM)** are implemented

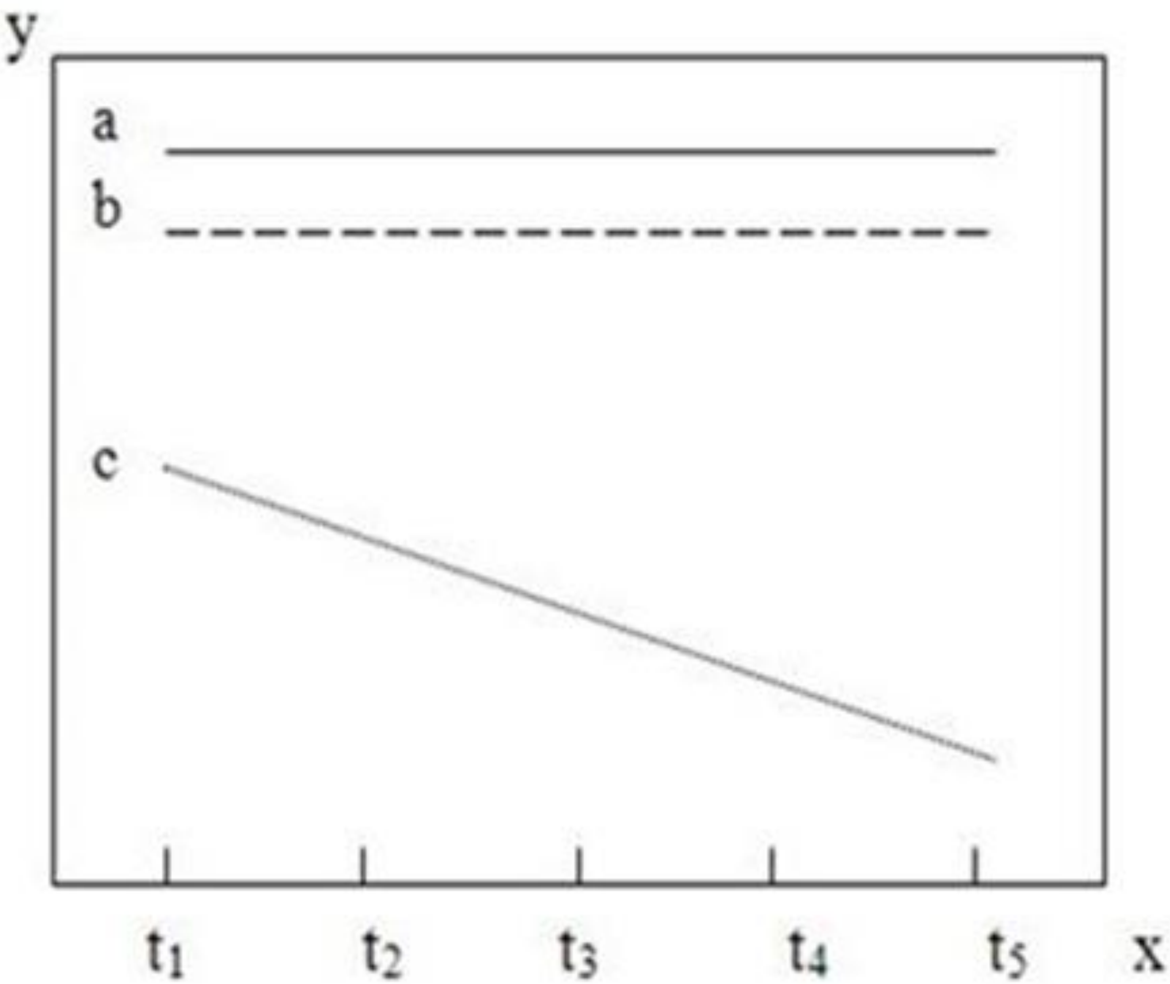
(1) How high are the costs after the AM are implemented?

(2) How quickly the costs decrease after the AM are implemented?

- **E.g.:** restrictions of energy consumption, investments in diversification and alternative sources of energy, restructuring of economy etc.

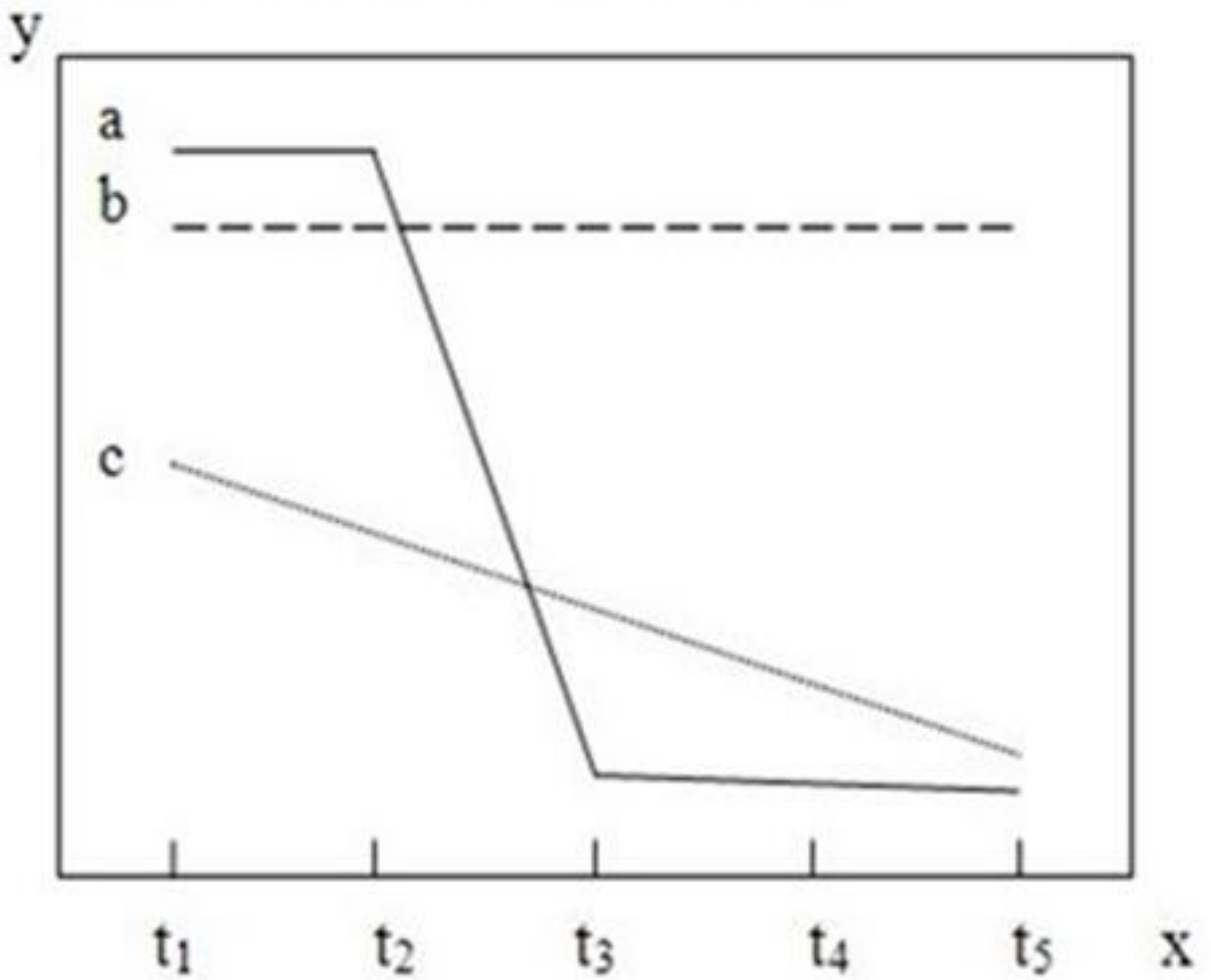
Interdependence: vulnerability

Change of sensitivity over time



x: time axis
y: externally imposed additional costs

Change of vulnerability over time



x: time axis
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