HEGEMONIC STABILITY THEORY

The central idea behind hegemonic stability theory is that the world needs a single dominant state to create and enforce the rules of **free trade** among the most important members of the system. To be a **hegemon**, a state must have the capability to enforce the rules of the system, the will to do so, and a commitment to a system that is perceived as mutually beneficial to the major states. In turn, capability rests upon three attributes: a large, growing economy: dominance in a leading technological or economic sector: and political **power** backed up by military power. Over time, there is an uneven growth of power within the system as new technologies are developed. An unstable system will result if economic, technological, and other changes erode the international hierarchy and undermine the position of the dominant state. Pretenders to hegemonic control will emerge if the benefits of the system are viewed as unacceptably unfair.

The **theory** was developed in the 1970s and 1980s by American scholars from the **realist** tradition who identified the distribution of power among states as a central factor in explaining the openness and stability of the international economy. A powerful state with a technological advantage over other states will desire an open trading system as it seeks new export markets. Large states are less exposed to the international economy than small ones. A hegemonic state will allow other states to ‘free ride’ on the benefits that the hegemon provides to the international economy in the form of **public goods**. These are the kind of goods where exclusion of consumers is impossible and consumption of the good by one actor does not exhaust its availability for others. In international economic affairs an open trading system, welldefined property rights, common standards of measures including international money, consistent macroeconomic policies, proper action in case of economic crisis, and stable exchange rates are said to be public goods.

On the other hand, if power is more evenly distributed among states, they are less likely to support an open trading system. The less economically developed states will try to avoid the political danger of becoming vulnerable to pressure from others, whilst the state whose hegemony is in decline will fear a loss of power to its rivals and will find it hard to resist domestic pressures for protection from cheap imports.

Despite its attractive simplicity, the theory suffers from very few agreed-upon cases of hegemonic stability. Empirically, most scholars cite three instances of hegemonic stability: the Netherlands in the seventeenth century; Britain in the late nineteenth century; and the United States after 1945. To base a theory on only three case studies is problematic. The United States is a questionable case for two reasons.

First, during the Great Depression, when the US had the ability to stabilise the system, it did not do so, even though stabilisation was certainly in its and the world's interest. Second, US hegemony has been fleeting. The high mark of US global economic hegemony was in the immediate decades after 1945. Since the 1960s, the US has actually declined in importance as Germany and Japan have eroded its dominance.

How strong a case of hegemonic stability is the US if we can only point to roughly 27 years of economic dominance (1944–71)? One of the difficulties of evaluating hegemonic stability theory is the absence of agreed criteria for measuring hegemony. The theory was developed against a backdrop of a perceived decline of American hegemony and a dramatic rise in Japanese power. Since the end of the **cold war**, the collapse of the former Soviet Union and the prolonged recession in Japan have forced many scholars to re-evaluate their estimates of hegemonic decline.

In addition, the theory has given rise to an ongoing debate that has now transcended debates about hegemonic stability. The theory posits a direct causal link between the distribution of power and outcomes in the international economy. Liberal critics of the theory argue that this is far too simplistic. They claim that although a hegemon may be necessary to establish the institutions and regimes that facilitate free trade, these can be maintained despite changes in the distribution of power. If all states gain from an open world economy, they have a shared interest in cooperating to maintain institutions that promote collective benefits. Today, whilst particular concern with the details of hegemonic stability theory have faded somewhat, the question of whether states are concerned with **relative/absolute gains** from cooperation remains a contentious issue in the field.

See also: **balance of power; great powers; free trade; hegemony; interdependence; public goods; realism; relative gains/absolute gains; superpower**

Further reading: Gilpin, 1981, 1994; Grunberg, 1990; Kennedy, 1987; Keohane, 1984; Kindleberger, 1973; Krasner, 1976; Strange, 1987