A-1: Are the theoretical approaches applied to understanding the fields of international conflict and international political economy completely distinct from one another or do these fields apply the same theoretical approaches to different questions? Please discuss in your answer why you think these two fields are either theoretically distinct or similar and be sure to ground your answer in at least two theoretical approaches used in each field.

My answer is that these two fields apply the same theoretical approaches to different questions. To develop my argument here, I basically compare two main theories, realism (mercantilism) and liberalism, which are equally applied to international conflict and international political economy, and then show some examples that support my argument.

To evaluate differences between realism in international conflict and mercantilism in international political economy, first of all, I set some important criteria, such as who are the primary actors, what are the fundamental relations between states, what are the goals of states, what are the desired relationship between politics and economics, and their views on international cooperation and institutions.

With respect to primary actors, it seems obvious that both realists and mercantilists agree that states (and alliance) are the main actor and that their leaders work to promote national self-interests. Regarding state goal, realists argue that the primary goal of state is to maximize relative power. This is coming from their perception that the international structure is anarchic where there is no higher authority than states. In this situation, they have to rely on the principle of self-help where states have to protect themselves, unlike domestic society. Thus, maximizing power including arming, allying, and waging conflict is the best guarantee of its survival (Waltz 1979). The core of mercantilism is the same belief that the state should use its economic strength to further
national interests. By extension, mercantilists also advocate using a state’s power to build its economic strength. From their view, political goals should govern economic policy because the aim is to maximize state power in order to secure state interests (Gilpin 1996; Isaak 2000).

Regarding relations between states, (neo)realists view that such relations are structured by the anarchic system in which conflict between states are unavoidable. Since relative capability always matter for survival, conflict is embedded in their relationships (Waltz 1979). Mercantilists are also realists in a sense that conflict characterizes international economic relations. Assuming that there are always limited amount of resources, they argue that the international economy is a zero-sum game in which competition and conflict for relative gains are unavoidable.

With respect to desired relationship between politics, realists do not make a clear distinction between them. States should control any type of resources that can be materialized into capability. To find a best way of maximizing power, thus, politics or security always comes before economic welfare. Mercantilists basically have the same view that politics should control economic policy. To accomplish their ends, they rely on a number of political-economic strategies. Probably, the most extreme form of such strategy will be imperialism, which is the direct control of another land and its people for national economic gain. States also practice such mercantilism to promote state’s national interests through offering economic carrots, such as foreign aid and favorable trade policies or using economic sticks, such as sanctions. To promote national power, they also agree with using protectionism and domestic economic support (Balaam and Veseth 1996).
Regarding views on international institutions and cooperation, realists are very skeptical. Such views are well discussed in the studies by Krasner (1982) and Mearsheimer (1994). Basically, they argue that international institutions have no effect on state behavior. States may use international institutions, but only if they serve national interests. If the goals of institutions are against national interests, states will leave. They also argue that international institutions may pose dangers, since they can generate an illusion for cooperation. In the face of globalization, mercantilists are also suspicious of economic interdependence through international institutions on the grounds that they undermine state sovereignty and weaken the national economic strength. Also, they are very skeptical about international cooperation, since states inherently seek advantage and dominance (Gilpin 1996).

In sum, I do not find big differences between realists and mercantilists after comparing them based on given criteria. Given the arguments, I now present some specific theories about their dependent variables, such as conflict and economy. First of all, I briefly go over the balance of power theory (BOP) and power transition theory (PT) reflecting realist assumptions. Then, I move on to some specific areas of mercantilism.

Scholars of BOP predict that when power is equally distributed, the system is more likely to be peaceful (Morgenthau 1948; Waltz 1979). It is because no state has a clear advantage in its power and thus they are uncertain about chances of winning a war. This uncertainty leads states reluctant to go to war. However, when power becomes unequal, war is more likely to take place due to the clear power advantage. Thus no state cannot check and balance against it. Such logics are based on some assumptions that states are inherently
aggressive and attempt to maximize power under the system of anarchy. Also, alliances are fluctuating and the power of each state is relatively fixed in relation to other states.

The assumptions of PT are different from those of BOP. Scholars of PT assume that international system is hierarchical and each state has different growth rates becoming sources of great disturbance in the system. Also, alliance is fixed rather than flexible. The other important assumption is that state satisfaction is proportional to its power status (Organski 1958; Organski and Kugler 1980, 1989; Kadera 2001; Lemke 2002). Given the assumptions, PT predicts that war is least likely when one state’s power is clearly dominant; war is most likely when the dominant state is overtaken by a dissatisfied powerful challenger; and the overtaking state is the likely war initiator. It is because the overtaking state is dissatisfied with the current rules and interactions set by the dominant state and thus anticipates greater benefits and privileges if successful. Most of all, its rapidly increasing power, close to the dominant, enables her to challenge the dominant.

It takes more spaces to look at how mercantilist arguments have been applied in the international political economy, since the economic issues it deals with are very extensive. In this respect, I pick some studies that I believe are important to understanding their application. These are organized by economic issues, such as trade, finance, and sanction.

First, let us look at some studies about trade. The typical case will be the study by Hirschman (1945). Looking at the case of Germany in the inter-war years, he sets out to understand the source and nature of the inherent weakness of the international trading system which allows any government so inclined to use foreign trade as a tool with which
to expand its own power. He then sees “unfettered national sovereignties” as the root cause for the emergence of political aspects of trade relations, since any country has the power and the right to regulate its own imports and exports (15-16). Probably, the most interesting point he makes is that while most countries consider a flood of imports from a larger country to be potentially threatening, countries ought to be more concerned when most of their own exports go to any one country, since it is relatively difficult to find alternative markets for its exports than to find alternative sources for its imports. His point has been well developed by Barbieri (1995, 1996). The study by Krasner (1976) will be a good example of focusing on state as power maximizer. He explains the structure of the international trade system through a state-power theory. Thus he looks at the structure of trade system as being most clearly described in terms of a continuum from openness to autarky. He argues that the degree of openness depends on the potential economic power of the state that is represented in the form of relative size of economy and level of economic development. Distributions of potential power thus determine the structure of the international trading system. In addition, he also confirms that openness is most likely to occur during periods when the hegemonic state in its ascendancy. In his study about the formation of trade policy, Krugman (1986) takes a mercantilist approach. He explores the idea of strategic or nationally guided competitive industrial and subsequent trade policy as against the prevailing neoclassical orthodoxy of market based laissez faire. He argues that trade is no longer a function of comparative advantage, but comparative advantage politically determined by economies of scale and technological races. Since world economy is characterized by imperfectly competitive markets, drawing disproportionate rents and generating external economies are important. Thus, it
makes sense for governments to identify and promote strategic sectors in the economy and pursue an activist trade policy. Goldstein (1994) explains the contradictions of US trade policy (the simultaneous expression of both post-WWII liberalism and 19th century style protectionism) through a demonstration of the importance of ideas in economic policy making. She argues how interests translate into trade policy, focusing on the choice among different strategies to obtain national interest, maximizing national wealth. Although ideas serve roles like roadmap and path dependency, she finds that policy entrepreneurs select ideas for policy implementation that serve as many of their interests as possible, which is consistent with realist view. Much familiar to us, Gowa (1994) also argues that trade generates security externalities, which enhance the potential military power of any trading country. She argues that the anarchic nature of the international system compels states to be careful of the military power of allies and adversaries. In particular, she points that trade with an adversary produces a security diseconomy, whereas trade with an ally produces a positive externality. Due to such security externalities, therefore, she concludes that free trade is more likely with than across political-military alliances. Last, Samuels (1996) argues that Japan is a classic example where the government has deliberately followed a policy of strategic competition. Unlike the Western liberal tradition with is bent for neoliberal laissez faire, the Japanese have combined the ideas of List (that comparative advantage can be politically determined) and Schumpeter (the central role of technology in innovation and creative destruction in economies) to shape their national economic and technological policy. In this regard, the Japanese do not strictly distinguish between the military and economic; the economic inevitably spills over into the military; and both are interconnected. This is exactly what
realists in international conflict persist. This work clearly demonstrates that there is no difference between mercantilists and realists.

In the area of finance, the study by Andrew (1994) would be most relevant to mercantilist (and realist) argument. He maintains that past IR literature has largely neglected an important element of systemic IR theory, namely “structural change in the Waltzian sense” (215). He attempts to fill this gap by designing a project that examines how state behavior, notably monetary policy decisions, is both constrained and driven by rising levels of capital mobility, which is an element of the international monetary structure. He then argues that the socialization of states to the idea of international financial integration and the competition among states for economic survival serve to constrain and state monetary policy formation. Evidence from both US-Japanese case and intra-Western European monetary relations supports his argument.

Frequently introduced, there are also some mercantilistic studies about economic sanctions. First, Kirshner (1998) argues that sanctions are an important statecraft, which is consistent with a realist framework. He argues that it is especially important in the post-Cold War, since conflicts between anti-soviet alliance’ participants will increase, and they will not be military, but often economic, increased market integration of small economies makes them vulnerable to economic coercion, great powers will prefer economic to military coercion, and economic coercion will be used before military coercion. Given the perceptions of sanctions, he proposes some important conditions that make sanctions successful, such as aid, assets, fiancé, money, and trade. He also adds that hurting core government or core support groups for the government is a key for the success of sanctions. Discovering that there war a selection bias in previous studies about
sanctions, Drezner (2003) finds that sanctions as state's coercive policy are actually effective. He argues that sanctions are more successful when threaten rather than imposed.

Besides these issues, there are many studies about how states control multinational corporations (MNCs) and their investment. In particular, mercantilist approach pays attention to the fact that MNCs may bring an issue about national security. In this case, the host country tend to interfere with and control their activities, such as prohibiting FDI to industries critical to national security, regulating FDI going to some bad countries, prohibiting MNC taking some technologies out of country, and punishing foreign MNCs (i.e., Helms-Burton Act against Cuba) (Hill 2005).

Second, I compare liberalism in international conflict and liberalism in international political economy (economic liberalism). I basically follow the same order that I have done in comparison between realism and mercantilism. I believe the work by Moravcsik (1997) would provide the best criteria about how to compare between these two groups. Thus, I will organize such comparison around his key points, resulting in no big difference between them, either. His specific formulation consists of three assumptions.

First, liberals argue that the fundamental actors in international politics are individuals and private groups what are in general rational and risk-averse. They organize exchange and collective action to promote differentiated interests under constraints imposed by material scarcity, conflicting values, and variations in societal influence. For economic liberals, this argument is not different. They also assume that the primary actors are individuals, multinational corporations, and IGOs. Economic liberals also believe that international economic relations should and can be conducted cooperatively
because the international economy is a non-zero-sum game in which prosperity is available to all. They contend that the best way to create prosperity is by freeing economic interchange from political restrictions. Therefore, economic liberalists oppose tariff barriers, domestic subsidies, sanctions, and any other economic tool that distorts the free flow of trade and investment capital (Balaam and Veseth 1996; Isaak 2000).

Second, liberals argue that states represent some subset of domestic society. Based on interests of such subset, leaders define state preferences and act purposively in world politics. Therefore, states are functionally differentiated and do not automatically maximize fixed, homogeneous conceptions of security, sovereignty, or wealth. Just as describe, economic liberalists also argue that differentiation should be allowed and the interests of economic actors should be appreciated. Although they support “invisible hands” by Smith (1776), most modern economic liberals favor a mixed economy using the state to modify the worst abuses of capitalism by preventing the formation of monopolies and by taking other steps to ensure that the competition and unequal distribution of wealth inherent in capitalism is not overly brutal. In this context, Keynesian economics has influenced economic liberalists and the changes they advocate. They are moderate reforms which would alter, but not radically change, either capitalism or the state-based international system (Gilpin 1996).

Third, liberals argue that the configuration of interdependent state preferences determines state behavior. Each state seeks to achieve its preferences constrained by the preferences of others. The assumptions demand us to identify a state not with a particular set of strategies or tactics, but instead with a set of preferences over states of the world. This is starkly in opposition to the views of IR who see the state as the essential unit of
analysis, such as realism and institutionalism. It is not certain whether economic liberalists address the same argument. Considering that they share some of the core arguments by Keohane (1984), Oye (1986), and Milner (1997), they have a similar view to liberals in international conflict in a sense that state behavior can be influenced and controlled by international institutions. Clearly, economic liberalists support the idea of using international institutions and organizations to promote and, when necessary, to regulate international economic interchange. Also, they agree that such institutions help reconciling or adjusting different interests among members. Modern liberals also favor such government interference as foreign aid and, sometimes, concessionary trade agreements or loan terms to assist less developed countries to develop.

Again, I first examine liberalist theoretical arguments about international conflict. Then, I will look at some specific studies of economic liberalism incorporating such common ideas.

I briefly discuss only two branches of liberals, such as neoliberal institutionalism and republican liberalism (commercial liberalism will be discussed in other question!), which provide different logics and predictions about cooperation and conflict. Neoliberalists like Keohane (1984), Oye (1986), Koremenos, Lipson, and Snidal (2001) argue that hegemons are neither necessary nor sufficient condition for international cooperation. Basically, they argue that institutions facilitate cooperation through governing problems related to transaction costs, distribution, enforcement, and information. In particular, Ikenberry (2001) argues that the hegemon creates a system that motivates weaker states to abide by the order by setting constraints on itself, and thus reduces conflicts and raises
the costs of changing the system. He claims that institutions are located at the center of such process by providing increasing returns and commitments.

There have been also numerous studies looking at how domestic actors, especially leaders, influence a state behavior and in turn make states interact in a strategic way. For example, those include the work by BDM and Lalman (1992), BDM and Siverson (1995), and BDM et al. (1999), emphasizing the relationship between leaders and costs of war in democracies. Such work provides powerful concepts like winning coalition and selectorate, being applied to a variety of empirical tests. Chiozza and Goemans (2004) also attempt to resolve the question of whether war is ex post inefficient for leaders. Surprisingly, they find that only a defeat in a crisis will negatively affect the tenure of mixed regime and autocratic leaders. Victory or draws in crises will increase tenure for autocracies but have no effect on any kind of leader. Victory or draws in war have no effect on any leader while defeat in war will reduce the tenure of mixed regime and autocratic leaders.

Again, I provide some examples that economic liberalists incorporate in their work such common features with liberalism in international conflict, such as substate actors and institutions. The examples are also organized based on economic issue areas.

In regard to international trade, first, assuming that factors of production are immobile between industries, Ricardo-Viner theory demonstrates well how domestic divisions can influence trade policy. It explains that the returns to specific factors are tied closely to the fortunes of industry in which they are employed. Thus factors that are specific to export industries receive an increase in returns due to trade, while those that
are specific to import industries lose. Kirshner and Abdelal (1999) explain that as opposed to Hirschman (1945), there are very few instances of large states actually using the coercive power derived from asymmetric trade relations and that more focus should be placed on understanding how states can exercise influence on other states’ policies by altering incentives of important domestic actors. They argue that a country can align the other country’s national interest with its own by using trade policy, especially by benefiting groups that gain more political power through trade and direct the country’s economic policy. However, its empirical findings are not robust in terms of supporting their theory. (But they look at different domestic actors in trade policy change). Hiscox (2001) also explains the variation in cleavages on issues of trade by focusing on the mobility of factors of production between industries. He argues that if factor mobility is high, the income effects of trade will produce class cleavages, causing disagreement over policy between the owners of different factors of production. If inter-industry factor mobility is low, the income effects of trade will be translated into industry cleavage, setting owners of the same factor of production at odds with each other. In addition, Milner and Judkins (2004) address a question of whether there are noticeable differences among political parties in a country over their trade policy. They find that partisanship matters. Right parties consistently take more free trade stances than do left ones.

With respect to the issue of finance, Schamis and Way (2003) examines why governments repeatedly choose the fixed exchange rates policies, exposing themselves to known risks. They argue that domestic political dynamics explains the adoption of these exchange rates policies. Fixed exchange rate may lead to the progressive decline in inflation and a consumption-and investment-driven upturn in output in the short term.
However, it also causes a contraction of the money supply on output and employment. Thus, fixed exchange rates policy is preferred to provide a quick fix for governments facing elections. Assuming economic voting, they find that the nominal effects of an attempt to peg predominate both in motivations of politicians and in the responses of voters.

Probably, I believe that there will be least difference about the role of international institutions between liberalism and economic liberalism. The study of regime by Keohane (1984) is equally applied to both liberalisms. He argues that cooperation through international regimes is possible even with the assumption of egoistic states. He makes as its reasons several arguments: Regimes promote repeated and multi-issue interaction. They transform a single instance and issue interaction into an ongoing, multi-issue interaction, which increases the importance of reputation and allows greater possibility of side payments. Regimes establish legal liability. Contract, conventions, and quasi-agreements help state actors organize mutually beneficial relationships. Regimes also reduce transaction costs, due to increasing returns of scale of establishing precedents and policies for interaction. Regimes also reduce uncertainty. Through greater interaction and interpenetration of each state’s bureaucracies with a regime, each state can more honestly signal their motives and capabilities regarding a possible issue, thereby reducing the efficiency problems associated with asymmetrical information, moral hazard and irresponsibility. His argument is exemplified in oil regime. Milner (1997) basically argues that cooperation among nations can be affected less by fears of other countries’ relative gains or cheating than it is by the domestic distributional consequences of cooperative endeavors. She focuses on the fact that cooperative
agreements or institutions create winners and losers domestically and therefore generate
supporters and opponents. Thus, she argues that the internal struggle between these
groups shapes the possibility and nature of international cooperative agreements. She also
argues that states create institutions to constrain domestic actors and lock in certain
behaviors. It is because state leaders fear domestic retribution for cooperative agreements,
and so can “pass the buck” of responsibility to institutions. In addition, Davis (2004)
extends Milner’s argument by explaining how the institutional context of international
negotiations affects their outcomes. Specifically, he argues that issue linkage counteracts
domestic obstacles to liberalization by broadening the negotiation stakes. As Keohane
argued, institutions bolster the credibility of the linkage to make it more effective.
Examining the US negotiations with Japan and the EU, he finds that institutionalized
linkage between agricultural and industrial issues encourages agricultural liberalization in
both Japan and Europe.

Last, there have been some studies about the role of MNCs in international
politics. In other words, the increasing importance of FDI in global economy has brought
attention among scholars to its relationship with military conflict. As part of the efforts
examining such relationships, students of international relations have investigated the
effect of FDI on conflict (Brooks 1999; Rosecrance 1999; Gartzke, Li, and Boehmer
2001; Gartzke and Li 2003; Rosecrance and Thompson 2003; Russett and Oneal 2001;
Souva and Prins 2006). The other direction of research has also been conducted by some
liberal studies (Nigh 1985; Li 2006), which is investigating the effect of conflict on FDI.
The results still remained unresolved, but many studies pay attention to figuring out such
relationship.