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International Organization

Scott C. James and David A. Lake
The Second Face of Hegemony

Judith Goldstein
The Impact of Ideas on Trade Policy

Klaus Stegemann
Models of Strategic Trade Policy

Kiren Aziz Chaudhry
Labor Remittance and Oil Economies

Matthew Evangelista
Issue-Area and Foreign Policy Revisited

Andrew M. Moravcsik
The OECD Export Credit Arrangement

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Articles

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Abstracts

The second face of hegemony: Britain's repeal of the Corn Laws and the American Walker Tariff of 1846
by Scott C. James and David A. Lake

One challenge facing hegemonic stability theory is to specify the processes by which hegemonic countries construct and maintain a liberal international economic order. Earlier studies have focused on direct coercion or ideological manipulation by the hegemon as a principal technique for manipulating the trade policies of other countries. This article explores a different "face" of hegemony. Specifically, we contend that by altering relative prices through the exercise of their international market power, hegemonic leaders influence the trade policy preferences of their foreign trading partners. We examine this argument in the case of the American Walker Tariff of 1846. American tariff liberalization was intimately related to Britain's repeal of its Corn Laws. In the antebellum United States, Northern protectionist and Southern free trade proclivities were fixed; Western grain growers held the balance of power. By allowing access to its lucrative grain market, Britain altered the economic and political incentives of Western agriculturalists and facilitated the emergence of the free trade coalition essential to the passage of the Walker Tariff.

The impact of ideas on trade policy: the origins of U.S. agricultural and manufacturing policies
by Judith Goldstein

Since the close of World War II, the United States has supported contradictory trade policies. In manufacturing, the United States has fostered a liberal trade regime, spurning government involvement in market transactions. In agriculture, it has sanctioned policies of import restrictions, export subsidies, and import fees. This variation is rooted in decisions that were made in the 1930s and institutionalized in the 1940s. In the wake of the Great Depression, policymakers concluded that state intervention helped agriculture and hurt industry. This article argues that the choice of government policy and its appropriateness to the economic problems faced by each sector reflect the accepted knowledge at the time. Neither liberalization nor subsidization was inevitable; both were economically viable options. However, central decision-makers made choices that were often based on inaccurate beliefs about the utility of different policy options.

Policy rivalry among industrial states: what can we learn from models of strategic trade policy?

by Klaus Stegemann

The economic theory of international trade has changed dramatically over the last decade by admitting into its mainstream a body of literature that focuses on the implications of monopolistic and oligopolistic elements in international markets. By applying the tools of the "new" industrial organization in an international context, two new classes of models have emerged: models of intra-industry trade and models of strategic trade policy. The policy implications of models of strategic trade policy were quite disturbing for the economics profession, since these models demonstrated that the classical harmony between national and cosmopolitan welfare maximization does not exist if one assumes opportunities for strategic manipulation of oligopolistic international industries. This article reviews two prominent models of strategic trade policy—the Brander-Spencer model and the Krugman model—and relates them to more familiar earlier concepts, such as Stackelberg's asymmetrical duopoly solution and the venerable infant-industry argument for government intervention. The primary purpose of this article, however, is to provide a synopsis of the large literature addressing the question of whether models of strategic trade policy can give guidance for government policy.

The price of wealth: business and state in labor remittance and oil economies

by Kiren Aziz Chaudhry

This article contrasts the effects of state-controlled oil revenues and privately controlled labor remittances on institutional development, state capacity, and business-government relations in Saudi Arabia and the Yemen Arab Republic. These two countries represent extreme cases of dependence on external capital in deeply divided societies presided over by fragile, emerging bureaucracies. By tracing the two cases through a pattern of economic boom (1973–83) and recession (1983–87), the study demonstrates that the type, volume, and control of capital inflows decisively influence the relative development of the bureaucracy's extractive, distributive, and regulatory capacities and affect the ability of the state to respond to economic crisis. In both cases, external capital inflows precipitated the decline of extractive institutions. However, oil revenues and labor remittances had divergent effects on business-government relations, and this circumscribed the state's ability to implement austerity programs during the recession. During the crisis, the Saudi government's efforts to cut subsidies to the private sector and to implement extractive policies were blocked by the state-sponsored merchant class. In contrast, the Yemeni government instituted a thoroughgoing austerity package that targeted the independent merchant class. In both cases, external capital inflows did not augment the efficacy of those that controlled them. These paradoxical outcomes are explained by tracing the different effects of oil revenues and labor remittances on the distribution of economic opportunity in the public and private sectors and the resulting effects on the regional, tribal, and sectarian composition of the bureaucracy and the commercial class.

Issue-area and foreign policy revisited
by Matthew Evangelista

In the study of comparative foreign policy, two schools of thought disagree over what accounts for variations in processes and outcomes of foreign policies within and between states. One holds that differences in the characteristics of the countries in question lead to differences in their foreign policies. The other argues that the important differences are not between countries but between issue-areas. A comparison of the Soviet Union and the United States in the issue-area of military policy (in particular, the process of weapons innovation) suggests that the policy processes differ substantially, contrary to what an issue-area approach would predict. On the other hand, the distinctions made by some students of political economy who focus on domestic structures appear to account well for differences between the U.S. and Soviet processes of innovation. The domestic structural approach should be applied to the study of comparative military policy as well as foreign economic policy.

Disciplining trade finance: the OECD Export Credit Arrangement
by Andrew M. Moravcsik

The salience of tariffs, quotas, and other import restrictions in current discussions of trade policy obscures what may well become a more significant form of government intervention: subsidized export promotion. Over the past two decades, subsidized trade finance has been one of the most widely used instruments of export promotion. This article offers an historical description and a theoretical explanation for the success of the Organization for Economic Cooperation and Development (OECD) Export Credit Arrangement, an international regime restricting the provision of subsidized trade finance. The explanation emphasizes three factors: the structure of government institutions, the relative power of states, and the functional value of information. More generally, the analysis demonstrates the inherent weaknesses of monocausal explanations of international cooperation and the advantages of explanations based on a conception of international cooperation as a multistage process, each stage of which may be explained by a separate theory.