Chapter 1

The Wall Has Fallen

In the film *Good Bye Lenin!*, an East Berlin mother has a heart attack and falls into a coma. When she revives, many months later, the Berlin Wall has fallen and East Germany is history. The children want to bring her back to their apartment but the doctors are reluctant to let her leave the hospital, as any shock could trigger another infarction. The children promise to provide as unthreatening an environment as possible; they conspire to prevent their mother, who was content under the communist regime, from learning about its demise. They go to increasing lengths to establish and maintain this conceit; they remove their new furniture and return their apartment to the way it once was, scour the city for the old brand of pickles she loved and have a friend produce news programs that purport to be from the now defunct German Democratic Republic. Once, by mistake, real television news fills the screen and the mother watches old clips of the Berlin Wall being breached. She becomes agitated, but is reassured by her children that while this is true, it is Westerners who have broken through the Wall to seek asylum in the East. Suitably reassured, the mother insists that it is their patriotic duty to take in some Western refugees. Word about the make-believe apartment gets around, and elderly people, unable to adapt to change, come around to enjoy its anachronistic ambience and reinforce one another’s nostalgia for the old life. Their rosy reminiscences bear little relationship to former realities.

International relations scholars responsible for the burgeoning literature on hegemonic decline are like the elderly visitors in *Good Bye Lenin!*. They are unreconciled to change and nostalgic for a world that is long since gone. Their memories of its glories are just as distorted. More troubling still, some scholars and many policy makers and their advisers more closely resemble the poor mother. They believe they live in a
world in which America is still the hegemon and are convinced of its manifold advantages to themselves and everyone else. Analogous to the mother, they engage in sterile debates among themselves about what can be done to preserve American dominance.

What is hegemony? The definition and consequence is a source of great debate among liberals and realists. Michael Doyle understands it to mean “controlling leadership of the international system as a whole.” Michael Mastanduno contends that hegemony exists when one political unit has the “power to shape the rules of international politics according to its own interests.” Stuart Kaufman, Richard Little, and William Wohlforth describe hierarchy, which they all but equate with hegemony, as the political-military “domination” of a single unit “over most of the international system.” John Ikenberry and Charles Kupchan insist that such influence ultimately rests on material power, and “it is most effectively exercised when a hegemon is able to establish a set of norms that others willingly embrace.”

In reality, American hegemony was short-lived and a feature of the country’s extraordinary economic primacy in the mid-twentieth century in a world devastated by history’s costliest and most destructive war. At the time, relatively few welcomed American hegemony as a source of political stability and economic reconstruction. Certainly, the rapid comeback of Western Europe and Japan, and later the economic development of the Pacific Rim, were greatly assisted by American aid, loans, and markets. Yet, success made hegemony superfluous and Charles Kindleberger posited that hegemony had run its course by 1963, and was certainly history by the 1970s. Americans nevertheless convinced themselves that their hegemony was alive and well—and benign. Given the Soviet threat, which policy makers, think tank analysts, and scholars grossly exaggerated, American hegemony was also described as in the common Western interest. Following the Cold War and the collapse of the Soviet Union, the United States remained “the

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indispensable nation,” in the words of former secretary of state Madeleine Albright. President Barack Obama would say something similar in a presidential debate prior to his reelection.

**POWER VERSUS INFLUENCE**

American hegemony eroded during the postwar decades as other nations regained their economic strength and political stability. Of equal importance, the postwar world witnessed movements and developments over which the United States could exert little to no control, such as Third World nationalism and the rise of China. Efforts by Washington to maintain a puppet regime in South Vietnam and futile efforts to block Beijing from taking China’s seat in the UN Security Council darkened America’s image and publicized its impotence. The decline of the dollar accelerated this trend. Yet American foreign policy still embraces hegemony and has not effectively adjusted to the reality. It is an unrealistic and counterproductive aspiration. The glaring discrepancy between America’s self-image and goals on the one hand, and others’ perception of them, may explain one of the principal anomalies of contemporary international relations (IR): the extraordinary military and economic power of the United States and its increasing inability to get other states to do what it wants. Examples of this phenomenon abound. In Iraq, the administration of President George W. Bush claimed to have created “a coalition of the willing,” but in practice, the intervention was opposed by some of America’s closest allies and the support of lesser states had to be purchased. In trade, the United States sought a critical Group of Twenty (G20) consensus on how to manage the Great Recession of 2008, only to be rebuffed by Asians and Europeans alike. In this book we will show how American attempts to shape and manage globalization, the principal economic development of the current age, have also failed.

To quote Alice, our story becomes “curiouser and curiouser.” Although American hegemony has not existed for some time, prominent American IR scholars believe it does, but periodically worry that it is

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about to disappear. In the aftermath of the Cold War, Charles Krauthammer famously proclaimed that the long-awaited “unipolar moment” had arrived. Like-minded realists predicted that American hegemony would remain unchallenged for decades to come. Other realists began worrying about immediate threats. George Friedman, who runs Stratfor, a respected and widely read realist-oriented newsletter, predicted a war in the near future with Japan.8 Realists are still divided among themselves. Michael Mandelbaum, among others, thinks it essential that the United States cut back on its foreign policy commitments, but that this will result in greater disorder, leading other countries to look back with nostalgia on American hegemony. More optimistic realists like William Wohlforth contend that America can finesse this transition and remain dominant.9 For most realists, the key question is how the US will face the expected challenge from a rising China. Some believe that a power transition of this kind will almost certainly lead to war.10

Liberals come in as great a variety of hues as do realists. They share certain attributes with realists: a rationalist approach in which power and influence are conflated; a focus on states as key actors; a research program focused on American hegemony; and an analytic approach in which the functions of hegemony are conflated. There are important differences among liberals as to the form and longevity of American hegemony, which we will discuss in chapter 2. Liberals nevertheless

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share a fundamental optimism that American hegemony will survive in some form. Their greatest concern, pace realists, is that a global system without a hegemon would become unstable and more war prone.11

Realists and liberals frame hegemony as a question of power. Realists in particular assume that material capabilities constitute power and that power confers influence. These categories are related in more indirect and problematic ways. Material capabilities are only one component of power. Power also depends on the nature of a state’s capabilities, how they developed, and how they are used. Perhaps the most graphic illustration of this political truth is offered by the US and Soviet (now Russian) nuclear arsenals. These weapons and their delivery systems were expensive and all but unusable in any scenario. The principal one they were designed for—all-out war—would have constituted mutual, if not global, suicide. Intended to deter the other superpower, these weapons became a cause of their conflict.12 For the Soviet Union, its nuclear arsenal and conventional forces also became its principal claim to superpower status. Extravagant expenditure on the military in the context of a stagnating economy is generally understood to have been one of the causes of the Soviet collapse.

Nuclear weapons could rarely, if ever, be used to make credible threats. The utility of conventional forces has also become increasingly restricted. In an era of nationalism, people are less willing to be coerced by foreign powers. The wars in Vietnam and Afghanistan became competitions in suffering, which the foreign powers were bound to lose. The ability to inflict pain—the mechanism on which military power depends—can be offset by the ability of the weaker side to absorb it. The US-Mexican relationship offers a different window into this problem. Repeated efforts by successive American administrations to exploit its greater power to act unilaterally in violation of its agreements with Mexico led to Mexican resistance. America needs to renegotiate because new agreements gained less, not more, for Washington.13

Attempts to translate power directly into influence rest on carrots and sticks. Such exercises, even when successful, consume resources


and work only so long as the requisite bribes and threats are available and effective. More often than not, they fail. The Anglo-American invasion of Iraq offers a dramatic example. Raw power was ineffective when applied in a politically unsophisticated way and at odds with prevailing norms and practices. It eroded, not enhanced, American influence. Failures in Iraq and Afghanistan are anomalies for most realist and liberal understandings of power, but not for an approach that disaggregates influence from power and directs our attention to its social as well as material basis. Such a shift grounds the study of influence in the shared discourses that make it possible. It builds on Thomas Hobbes’s understanding in Behemoth that “the power of the mighty hath no foundation but in the opinion and belief of the people.”

Effective influence rests on persuasion; it convinces others that it is their interest to do what you want. Persuasion depends on shared values and acceptable practices, and when it works, helps to build common identities that can make cooperation and persuasion more likely in the future. Influence of this kind also benefits from material capabilities but is not a function of them. It is restricted to common goals and requires considerable political skills. It depends on sophisticated leaders and diplomats, shared discourses with target states, advocacy of policies that build on precedent, and a willingness to let others help shape and implement initiatives. Suffice it to say here that power, by which we mean primarily economic and military capabilities, is a raw material that can be used to gain influence. By influence we mean the ability to persuade others to do what one wants, or refrain from doing what one does not want.

A Posthegemonic World

The focus on power obscures the ways in which the international system has been evolving. Hegemony can nevertheless provide insight into these changes. In this section we will unpack the concept. By identifying the ways in which hegemony is thought to make global order possible, we can disaggregate these functions from the role and ask if it is possible to fill them in other ways. We believe this is eminently feasible—and more realistic in today’s world.

The first responsibility of hegemony is normative. Much of what liberals conceive as “leadership” is the capacity to shape the policy agenda

of global institutions or ad-hoc coalitions.\textsuperscript{15} It requires knowledge and manipulation of appropriate discourses.\textsuperscript{16} It also requires insight into how other actors define their interests, what they identify as problems, and what responses they consider appropriate. In contrast to the realist emphasis on material power, constructivist scholars emphasize persuasion over coercion, and maintain that the former is most effectively achieved by shaping policy debates through agenda setting and an appeal to shared norms. Power is important, but understood as embedded in institutional and normative structures. Normative influence is heavily dependent on political skill, and all the more so in a world in which so many, if not most, important initiatives are multilateral.

The second constituent of hegemony is economic management. In the posthegemonic era this function is primarily \textit{custodial}. We elaborate on the meaning of the term, ask who performs this role, and how well it is performed. Above all else, custodianship entails the management of risk through market signaling (information passed, intentionally or not, among market participants) and intergovernmental negotiations in a variety of venues. The intent, according to Charles Kindleberger, the progenitor of hegemonic stability theory, is to stabilize and undergird the functions of the global economic system.\textsuperscript{17} This formulation has become foundational for his realist and liberal successors as they seek to justify the global need for continued American hegemony. Many American international relations theorists nevertheless ignore the evidence that America has either willingly contravened, or is increasingly incapable of performing, these functions. Somewhat paradoxically, while overlooking the declining performance of the United States as a manager of the global system, these theorists’ understanding of a hegemon has expanded to include additional functions: the provision of liberal, multilateral trading rules; the sponsorship of international institutions; and the promotion of liberal democratic values.\textsuperscript{18}


\textsuperscript{17} In more formal terms these economic functions consist of maintaining an open market for distress goods, providing countercyclical lending, policing a stable system of exchange rates, ensuring the coordination of macroeconomic policies, and acting as a lender of last resort. Charles P. Kindleberger, \textit{The World in Depression, 1929–1939} (Berkeley and Los Angeles: University of California Press, 1973), 305.

Chapter 1

The third and final element of hegemony is enforcement of global initiatives, what we call sponsorship. Sponsorship ultimately depends on capabilities. They may be military, economic, or knowledge-based. In part, sponsorship reflects what IR theorists consider essential to the creation and maintenance of international institutions and of the enforcement of global regulations or norms. We argue, however, that material resources, while necessary, are insufficient for a functioning sponsorship strategy. To be effective, sponsorship requires dialogue, negotiation, and the use of regional or global institutions as venues. Above all, it requires agreed-upon goals and procedures to confer legitimacy on any initiative and achieve a division of responsibilities. Sponsorship is not the same as leadership, as defined by either realists or liberals. It is neither unilateralism nor “a first among equals” in a traditional multilateral forum or alliance. Rather, it entails a capacity to listen, and then a selective willingness to use a variety of capabilities to implement consensual goals that are consistent with self-interest.

All three functions of hegemony require contingent forms of influence rather than the blunt exercise of power. Their application is becoming increasingly diffused among states, rather than concentrated in the hands of a hegemon. These functions are performed by multiple states, sometimes in collaboration with nonstate actors. Global governance practices are sharply at odds with the formulations of realists and liberals alike. Western Europeans have made consistent efforts to extend their normative influence by promoting agendas well beyond those with which they are traditionally associated. These include environmental and human rights initiatives, but also security issues and corporate regulation. Asian states—most notably China—have increasingly assumed a custodial role, albeit embryonic at this point, quite at odds with the neomercantilist or rising military power depicted by realists. Under President Obama, the United States has continued to pursue a bipartisan sponsorship role that runs parallel to its more conventional efforts at leadership.

The Purpose of This Book

Hans Morgenthau maintained that international relations theory should be transformative in its goals. Rather than justifying the status quo, or making it easier for policy makers to function within it, theory should enlighten them to the potential of positive change and describe the modalities of using power and influence toward this end. We offer our book with this aim in mind. Our starting point is a reformulation of the concepts of power and influence and an elaboration of their complex
relationship. We illustrate how different actors have gravitated toward distinct, albeit mixed, roles in the international system and describe some of the most important implications of this differentiation. We examine the changing role of the United States, and the key problems it faces or is likely to confront in the course of this decade, and offer thoughts about its appropriate role in this rapidly changing environment. We seek to make related theoretical and substantive contributions to the study of international relations and the practice of foreign policy. Our emphasis on influence, its sources and practice, is a sharp contrast to the realist and liberal emphasis on power. In our judgment, it offers more insight into how the world works and the choices open to key states.

The major foreign policy challenge, in the security and economic spheres, is responding to China’s phenomenal rise in power. It is the primary security issue faced by the West that has the potential to lead to a catastrophic war. We do not think this at all likely, but there are powerful forces in both countries that see the other as a dangerous rival who must be constrained. Their Cassandra-like warnings are reinforced by “devil images” that arise from the conceptual foundations and worst-case analysis that each side so often uses to make sense of the other and its foreign policy goals. The general perception of China as an enemy is widespread. A search of newspaper articles, journals, dissertations, trade publication articles, book reviews, books, and e-books revealed 192,532 related references. A more refined search of “China as an enemy to the US” brought 69,141 total hits, 3,201 for 2011 alone.

We intend to show how and why these conceptions are inappropriate and offer new ones in their place. Our argument rests on the assumption—at odds with many representations of realism—that there is nothing structural about Sino-American conflict. We show that China has accepted greater custodial responsibilities as it has become increasingly invested in the post–Cold War global order. With better conceptual frames of reference on both sides, this relationship could be managed intelligently and successfully.

When we turn to US economic relations, with China and the rest of the world, we argue that liberals often invoke inappropriate frameworks. We reject the conventional view that emphasizes America’s

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structural position in the global economy, or its capacity to leverage its market access using crude instruments of power. Instead, we argue that the US role in the global economic world can best be understood in terms of the three roles we identify—agenda setting, custodianship, and sponsorship—and that success in each relies on differing combinations of material and social power. Influence in all three domains is subtle and contingent. Our intent is to develop, at best, a new conceptual vocabulary for thinking through a series of problems, one that is also based on divorcing influence from power and putting more emphasis on mutually acceptable goals than capabilities.

At this point let us provide two examples of how important conceptions are in foreign relations. Until the late eighteenth century and the writings of Adam Smith, and later of David Ricardo, the world’s wealth was thought to be finite. This made interstate relations a zero-sum game in which an increase in wealth for any state was believed to come at the expense of others. Once political elites learned that the division of labor could augment the total wealth, mechanical sources of energy, and economies of scale, international economic cooperation became attractive and came to be considered another means of generating wealth. Trade and investment, and the economic interdependence to which this led, did not prevent war, as many nineteenth and early twentieth century liberals hoped, but it did more or less put an end to wars of material aggrandizement.

In the security sphere, the United States relied on deterrence throughout the Cold War, convinced that it was the appropriate strategy for coping with an aggressive adversary. International relations scholars developed deterrence theory to provide an underpinning for US national security policy. They imposed, improperly, a rationalist framework on the problem, assuming that leaders conducted a careful cost calculus before acting, that their preferences were transitive and apparent to outside actors, and that they could best be influenced by raising the expected costs of the action deterrence sought to prevent. None of these assumptions turned out to be valid. Leaders before, during, and after the Cold War were often moved to challenge adversaries by a combination of foreign and domestic problems. To the extent that a challenge was perceived as necessary, they convinced themselves it would succeed, and misinterpreted, explained away, or downright denied evidence to the contrary. When threatened by adversaries, leaders often


reframed the problem, with the goal of not giving in and demonstrating resolve taking precedence over any interests at stake. In the Soviet-American rivalry, the strategy of deterrence, characterized by major arms buildups, forward deployments, and bellicose rhetoric, had the unintended effect of provoking the very crises—like that of Cuba—that it was intended to avoid.23

These examples indicate that the conceptual frameworks we use to understand the world determine the problems we identify and often the range of responses we consider appropriate to them. The broader goal of our book is to offer a more sophisticated framework for thinking about the world by concentrating on influence in lieu of power. Our framework is relatively parsimonious and universal in nature, but its application must always be context dependent. It is theory in the tradition of Thucydides and Morgenthau, intended to offer a first cut into a problem and to help scholars and policy makers work their way through it by combining general insights with specific contextual knowledge. We will apply our framework in a general way to US relations with China and Europe, and collective efforts to manage ever more closely connected economic relations within and across the regions of the world.

OUTLINE OF THE CHAPTERS

In chapter 2 we develop our formulation of influence. We examine the relationship, but also the important distinctions, between material capabilities and power, and between power and influence. We highlight alternative sources of power and sources of influence that do not depend, at least directly, on material capabilities. Our approach is constructivist in its emphasis on values and discourses, but it does not ignore material capabilities, strategic thinking, or implementation. We are careful to distinguish between the universal relevance of our formulation and its context-dependent application. We show how it works in practice when applied to understanding globalization, financial crises, and civilian protection.

Chapter 3 examines Europe’s efforts at agenda setting. It demonstrates the importance of persuasion as a form of influence. Robert Kagan, a noted American realist, argues that Europeans recognize complexity and rely on diplomacy because they are weak and lack Ameri-

ca’s material power. We dispute this claim. Europeans could easily spend more on their military but choose not to do so. This is an effective policy if their goal is to exercise influence. The norms of regional and international systems are undergoing significant shifts that deprive military power of much of its political utility while enhancing other forms of influence. To sustain our argument, we offer case studies of successful European efforts to manage globalization and bring about a treaty that bans landmines. European initiatives on both fronts were opposed by the economically and militarily more powerful United States.

Chapter 4 documents the embryonic shift in custodial economic functions from the United States to Asia. Whether measured in terms of the purchasing of government and private debt, or the provision of foreign direct investment and overseas aid, the United States plays a diminishing role in sustaining global capitalism. Asian countries—most notably China, and to a lesser extent, Japan—have increasingly assumed this role because their leaders see it in their national interest. As holders of trillions of dollars of US debt, these countries arguably provide more stability to the global system than Washington does. The United States is the largest debtor in the world, and contrary to any claims of hegemony, is now a great source of economic instability. It suffers from insufficient savings, huge levels of private and public debt, and underinvestment, as corporations shift production abroad in search of lower tax rates. The liberal emphasis on structural power, associated with the dollar and the size of the US market, is increasingly misplaced because it is a questionable source of influence. Such a reading also ignores the increasingly important roles of China, other countries in the Organisation for Economic Co-operation and Development and aspiring economies in stabilizing the global economic system.

Chapter 4 also examines China’s expanding custodial role. Realists characterize its economic policies as mercantilist. In 2005, World Bank President Robert Zoellick encouraged the People’s Republic of China to become a “responsible stakeholder.” We do not deny that Chinese behavior is self-serving, but we see no evidence that China is any more economically irresponsible than any other major power or committed to seeking hegemony. We begin by addressing the security question.

American realists in the academy and government routinely invoke power transition theory as the appropriate lens to analyze the consequences of China’s rise to great power status. There is no historical support for power transition theory—quite the reverse. Evidence indicates that transitions occur mostly as a result of wars rather than causing them. It also indicates that rising and dominant powers rarely if ever fight each other.28 Chinese security policy, we argue, seeks regional hegemonia and not global hegemony, an analytic distinction we make in chapter 2. The goal is consistent with, even possibly supportive of, US and Western security.

The second section of chapter 4 turns to economic issues. We analyze the issue of custodianship through a series of lenses. We use macrolevel data, including global economic imbalances and their relationship to shifting savings and consumption rates in Asia, a factor many economists regard as key to addressing the issue of global economic stabilization. We then examine cross-national and domestic-level data, including China’s purchase of US Treasuries and European government bonds, its purchase of US bank stocks at the nadir of the financial crisis, and the reshaping of development assistance through the Chinese Development Bank and Import-Export Bank. The evidence indicates that Chinese leaders understand that performing custodial functions enhances their influence.

Chapter 5 draws on our conceptual and empirical analysis to rethink America’s posthegemonic role in the world. While guided by self-interest, the United States should pursue a strategy that helps to implement policies that are widely supported and are often mooted or initiated by others. It should generally refrain from attempting to set the agenda and lead in a traditional realist or liberal sense. Drawing on Simon Reich’s work on global norms, we look at the success Washington has had in sponsoring—that is, in backing—initiatives originating elsewhere.29 We examine the successful provision of military assistance to NATO’s campaign in Libya, which offers a stark contrast to the US approach to Iraq. We then offer counterfactual cases of US drug policy in Mexico and efforts to keep North Korea from going nuclear in which we contrast leadership and sponsorship strategies.

In chapter 6 we revisit the concept of hegemony. Drawing on our empirical findings, we contend that hegemony is no longer applicable.

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29 Simon Reich, Global Norms, American Sponsorship and the Emerging Patterns of World Politics (Basingstoke, England: Palgrave Macmillan, 2010).
to international affairs, as its constituent functions are widely shared and exercised more by negotiation than fiat. This constellation requires a new conceptualization of influence. It points to a new research agenda for the present century based on the recognition that we now live in a multipowered world—where actors combine social and material power to gain influence in varying ways—and not a unipolar world.