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1

Introduction

**GEOPOLITICS AND LEGITIMACY IN A GLOBALIZED WORLD**

You are pivoting to Asia, but we’re already there.

**RUSSIA’S AMBASSADOR TO THE UNITED STATES, 2014**

The situation of one lot of people terrorizing another lot of people is not a political situation; it is, rather, the situation which the existence of the political is in the first place supposed to alleviate (replace).

**BERNARD WILLIAMS, IN THE BEGINNING WAS THE DEED**

In late 1971 at a meeting in Rome, US president Richard Nixon’s treasury secretary, John Connally, famously told his international peers, the world’s leading finance ministers, that the dollar “is our currency, but your problem.”

Whatever he had in mind, he had a point.

By his own admission not an economist, Connally, a former governor of Texas who had survived serious wounds when President John F. Kennedy was assassinated, was widely regarded as a formidable politician. Almost a decade earlier, President Charles de Gaulle had exercised France’s right, under the

1. Quoted in Blackwill and Harris, *War by Other Means*, p. 39.
2. Williams, “Realism and Moralism in Political Theory,” in *In the Beginning*, p. 5.
Introduction

Bretton Woods international monetary system, to demand that the United States redeem its dollars for gold. Coming not long after the Suez debacle, and shortly before de Gaulle temporarily pulled France out of the North Atlantic Treaty Organization (NATO), it signaled not only Paris’s discomfort with US leadership but also a growing sense that Washington would not be able to sustain the dollar’s international value given its escalating Vietnam War and the social welfare programs judged necessary to maintain a semblance of domestic order.

Faced with European and Japanese reluctance to revalue their currencies, Connally asserted, “My philosophy is that the foreigners are out to screw us. Our job is to screw them first.” While the swagger suggests a man out of his depth, he certainly sensed the paucity of options available to his international partners. Import tariffs were imposed, and duly challenged by Europe in the Geneva-based trade body crafted by an earlier generation of US policymakers. National Security Adviser Henry Kissinger warned the president of the diplomatic costs, including a descent back into protectionism, but Nixon was initially more taken by their domestic popularity.

On the monetary side, which was the show’s point, Washington suspended gold convertibility—without consulting the International Monetary Fund (IMF), another of its postwar babies—exposing its counterparts to substantial losses on their large dollar reserves. The main targets were not London or Paris, but the booming economies of World War II’s losers, Germany and Japan. With the Cold War near its peak, however, West Germany in particular was dependent on the United States to protect it from the Soviet Union. But that cut both ways. While a US Treasury study of options included reducing the military presence in Europe and Japan, it was hardly credible.

The key was that since no other country was remotely ready to provide a substitute world reserve currency, the dollar’s preeminence was not at risk. Nevertheless, finding a credible new monetary regime was a heck of a problem for the United States. Their first solution, the December 1971 Smithsonian pact, was celebrated by Nixon as “the most significant monetary agreement in the history of the world.” Perhaps, though its glory blazed for less than eighteen months. From the spring of 1973, the Europeans floated their currencies.

4. Irwin, Clashing over Commerce, p. 543.
5. Irwin, Clashing over Commerce, pp. 546, 752–53n88.
7. Irwin, Clashing over Commerce, pp. 546–47; Eichengreen, Globalizing Capital, pp. 133–34. (Canada floated in the 1950s.)
At that point, the underlying vulnerabilities were dramatically exposed. With oil priced in dollars, the inevitable depreciation put pressure on the incomes of the big Middle Eastern producers, who eventually imposed an embargo, pushing prices up, in the wake of the Yom Kippur War. Unable or unwilling to control the resulting domestic inflation and so stabilize medium-term inflation expectations, the United States saw its economic performance deteriorate. Stagflation (rising inflation, falling activity and jobs) compounded the political turmoil brought by Watergate and withdrawal from Southeast Asia. Eventually, a backbreaking recession and resumed fiscal discipline restored internal monetary order, and so underpinned the dollar’s role in US global leadership. Over much the same period, Washington recast its policies on oil exploration and energy dependencies.

Closing the episode with an unexpected twist, the Geneva trade machinery rejected an IMF finding that the US import surcharge had been a legitimate balance-of-payments measure. Highlighting a tension latent in fragmentation of the international monetary and trade regimes and their secretariats, the rules were changed to avoid this happening again (chapter 3).8

That old story underlines the often-neglected intertwining of international monetary affairs with trade and geopolitics; how those connections can play back into domestic politics; and how they reverberate through international organizations. Occasionally, the fields of economic policy and foreign policy converge. We are back in one of those phases of history and will remain so for some considerable time.

After prolonged geopolitical peace, that will challenge specialist policymakers used to inhabiting segmented spheres: distinct tribes, trained separately, operating via their own networks of power and influence, and often distant from one another in government. With the deep architecture of the international economy in flux for the first time in decades, the big issues are not easily parcelled out to different buildings. With diverse fields coming together, whether in collision or concord, high policy—“grand strategy” is a better expression—needs to be framed, explained, and executed accordingly. This book will, accordingly, traverse the international economy, security (war and peace), human rights and humanitarian interventions, and the global commons (climate change and pandemic disease) before drilling down into the first.

At its heart are the complexities and hazards produced by the conjunction of economic globalization, discordant geopolitics, and strains in the legitimacy

of domestic and international governance. How can the West and other constitutional democracies maintain their liberal traditions in the face of interdependencies with rising (or revived) authoritarian states? Can peaceful coexistence be sustained without the Powers retreating into free-world and authoritarian blocs? Can Western-style states reconcile legitimacy at home with legitimate international cooperation?

While serious tensions were already present in globalization’s trajectories, they have been raised to a new level by Beijing’s ambitions, Moscow’s opportunism, Washington’s long-standing sclerosis morphing into corrosive disarray, and Europe’s presumption of stability. In the remainder of this introductory chapter, we sketch some of the background to globalization, geopolitics, and legitimacy.

Globalization: Different This Time Around, but the Same Too

The period leading up to World War I is often described as the first globalization. Its unraveling involved the reintroduction of controls on trade, immigration, and, eventually, flows of capital. In recent years, we have already seen the first and second, and a version of the third has been creeping back (chapter 16). But the late twentieth and early twenty-first century’s “second globalization” is not a simple replay, being distinct in its economic structure, international institutions, and breadth of participation.

The First Globalization’s Emergence: Technology and Politics

Until modernity, trade flows had since time immemorial been largely in goods (alongside some personally delivered services, such as religion, ideas, and some arts and crafts). Nearly all that goods trade was in raw materials and precious commodities. If you were a ruler, you could obtain building materials from afar: ancient Egypt famously imported cedar from Mount Lebanon, sometimes coercively. If you were a wealthy family, you could eat or wear things from outside your locality—even spices and silks. They were transported across Eurasia’s famous ancient Silk Road, and much later via coastal routes developed by Europe’s commercial empires. Both highways also transmitted deadly pathogens: most famously the bubonic plague, wreaking havoc

10. Drawing on Baldwin, Great Convergence.
across western Eurasia through the fourteenth century’s Black Death and sporadically thereafter.

Later, northern Europe’s (and then North America’s) Industrial Revolution delivered two profound changes: it mechanized production and, thanks at first to the steam engine, crushed land and sea transportation costs (for people as well as things). Finished goods no longer needed to be produced close to where they were consumed. Making something of their natural endowments and capabilities, localities—and in due course whole countries—could now specialize, increasing cross-border trade and opening a door to economies of scale and the clustering of skills.

All that took off only after the Napoleonic Wars, ushering in peace among the European powers. Where external trade expanded, exporters tended to prosper relative to import-competing businesses, increasing their clout in politics. In Britain, the (all-male) franchise was gradually expanded from the 1830s, and trade liberalized from the 1840s. Meanwhile, Europe’s absolute monarchies (and the United States) maintained high tariffs, power lying with landowners, courtiers, and administrators. In Prussia, its (selectively) reforming leader, Count Bismarck, erected external tariffs around a new German customs union, and later his new nation-state. With successful industrialization fueling a military caste’s appetite for power, his successors helped tip the world into a war bringing the curtain down on the first globalization.

There is a view—plausible enough for policymakers to take seriously—that the first globalization undid itself. Trade created winners and losers, and massive movements of working-age people put downward pressure on incumbents’ wages in some areas, sparking varieties of populism. Flows of finance and technology amplified the arms race. Later, flawed monetary and financial regimes fueled a credit-led asset-price bubble and exacerbated the costs, including across borders, when it burst. Neither the politics nor the economics of the international order had proved resilient (see below).

The Second Globalization: Multinational Corporations and Cross-Border Services

An integrated international economy was not rebuilt until after the second of Germany’s wars against the world (chapter 3). Initially, patterns of trade were not so different. After the twentieth century’s assembly-line revolution,
manufacturers bought in more component parts, including increasingly from industrialized neighbors. Nevertheless, design, assembly, quality control, and sales and marketing—and hence most value added and jobs—stayed at home. More notably, Japan and then South Korea showed it was possible to join the club of rich industrialized countries.

Then two things changed everything. First, the now familiar standard boxlike containers used on cargo ships improved loading and unloading times and reliability, helping factories avoid the previous flip-flop between idleness and bottlenecks. Multinational businesses moved labor-intensive production—via subcontracting agreements, joint ventures, and wholly owned subsidiaries—to orderly but poorer economies (with lower wages).12

The second change, in communications technology, was closer to revolution. A business’s headquarters could now specify exactly what they wanted down to every last detail, track physically distant production processes in real time, and, crucially, stipulate and monitor the quality of outputs. In effect, technical know-how was transmitted from home base to entities and workforces in other countries. As trade economist Richard Baldwin puts it, “High tech with low wages beats low tech with low wages.”13

Over time, this offshoring, as it became known, became more and more ambitious. A lead business might choose to do only design and some global marketing back at base, and even some of that could shift as emerging-market-economy workforces tooled up. The main host countries were initially relatively few and often physically close to the North American, European, or Japanese domicile of the offshoring multinationals (e.g., Mexico or Poland), but not always (notably China).

Then services companies started moving back-office processes to places like Slovakia (a member of the European Union) and Bangalore in India. And as hosts’ workforces became more skilled, more central functions shifted too—for example, the credit analysis conducted by banks. It was like moving operations from expensive cities to cheaper provinces, but across national borders.

Measured by location, rich countries’ share in global manufacturing output dropped sharply. But much of the return from geographical dispersion accrued to multinationals’ shareholders and top management (but not always the corresponding tax authorities). Meanwhile, wages rose in host countries, but came under pressure among those North American and European communities

 whose relatively unskilled jobs could now be done more cheaply elsewhere. Oversimplifying, interstate inequality narrowed while, in some advanced economies, intrastate inequality increased.\textsuperscript{14} When domestic politics became toxic in rich states, especially the United States, the explanations implicated trade, technology, and immigration (which, in economic terms, moves low-cost labor to capital rather than vice versa).

\textit{Capital and Globalization}

Where there is trade, there is financing. Where there is cross-border investment, there is a capital flow (known as foreign direct investment). Here too there are similarities and differences between the first and second globalizations.

Just as the first economic globalization ended with a bubble bursting during the interwar years, so the 2007/8 implosion of Western banking might mark a switching point in world history. Hot money’s pathologies are, sadly, familiar. Similarly, just as sterling’s role in world finance underpinned the Pax Britannica (and vice versa), so the dollar and the Pax Americana. An extraordinary proportion of world trade is invoiced in dollars (even when neither importer nor exporter is US based).\textsuperscript{15} And foreign sovereigns and companies from all over borrow in dollar capital markets, as they once did in pounds.

But there are big differences too. First, derivative markets—in currencies, interest rates, default risk, and equities—have separated cross-border flows of funds from flows of risk, complicating voluntary sovereign-debt workouts. Second, after accumulating vast sovereign wealth funds, some states have acquired great influence in global capital allocation. They include energy exporters (Saudi Arabia, other Gulf states, and Russia), those East Asian states that built defensive war chests after their late-1990s crises, and China. Taken with some powers’ state-owned enterprises, state-capitalist actors on this scale have not been seen since Europe’s merchant companies traded and intervened around the planet half a millennium ago. Third, today’s infrastructure for cross-border financial transactions creates vulnerabilities that not only preoccupy central bankers but, in a cyber world, can be weaponized.\textsuperscript{16} As we progress through that list, existing fora such as the Group of 20 (G20), whose members include Russia, seem built for a happier age.

\textsuperscript{14} For a review and defense of economic globalization, see Kolb, “What Is Globalization?”
\textsuperscript{15} Gopinath, “International Price System.”
\textsuperscript{16} Farrell and Newman, “Weaponized Interdependence.”
Introduction

Institutions and Globalization: Rule by International Organizations?

The first globalization emerged against a background of norms, mainly rooted in customary law, providing rules of the road for trade, monetary affairs, diplomacy, and war. Many were refined during the nineteenth century, which grafted onto this proto-international system various technical conventions to oil the wheels of commerce (chapter 2). There were, however, few international organizations to speak of. By contrast, the second globalization has been presided over by a rash of powerful international organizations. Perhaps best known are the World Trade Organization (WTO), the IMF, the World Bank, and, since COVID, the World Health Organization (WHO).

There is no body for international investment or the environment, but they are not ungoverned. The geographic dispersion of production described above has been underpinned by regional trade agreements constraining “behind-the-border” regulatory policies, and by bilateral pacts protecting cross-border investors against local discrimination. Environmental measures have been promoted by a mixture of hard and soft law, with varying success.

Away from specific regimes, the plethora of judicial and arbitral tribunals, from the International Court of Justice downward, mostly have only voluntary jurisdiction. Nevertheless, human rights and other conventions aim to diffuse universal norms. All told, these various features of the second globalization have delighted many internationalists while horrifying its opponents.

Globalization’s Challenges: The Commons, Geopolitics, Legitimacy

The edifice faces three major problems. The first is what to do about shared threats, requiring deep but so far elusive international cooperation. During the first globalization, industrial production was limited to only a few parts of the world, and pollution seemed local. With the second, pollution itself went global, climate change becoming the existential poster child for the global commons.

18. Running at around 150 per year from the mid-1990s to the mid-2000s, they total around 3,000. See Bonnitcha et al., Political Economy, fig. 1.1, p. 2; fig. 1.5, p. 20; fig. 1.7, p. 25.
But it is not the only one. With more people traveling to more places than ever before, in 2020 the second globalization faced a pandemic, the first since 1918, at the tail end of the first globalization. The WHO could barely coordinate, let alone lead. The most powerful capitals on the planet hurled accusations at each other.

The second problem is precisely that dislocation in international politics rendered by the rise of new economic powers and already, in China, an economic and (almost) military superpower. Cooperation is partly about managing (resolving or side-stepping) disagreement, containing the risk of its spiraling into hostile conflict. This disagreement-conflict distinction will recur.

It shapes the third problem: legitimacy. In liberal states, there have been long-standing complaints that globalization has gone too far (mainly on the economic side), and not far enough (the environment, human rights, poverty). Now there are pressing questions about whether the current constellation of international regimes and organizations is in China’s sights; whether it permitted China’s rise as an illiberal power; and, more elementally, whether there are any reasonable terms on which peaceful coexistence can be secured.

The international world needs to adapt, but we, people living in constitutional democracies, need to take care if we are to remain who we have managed to become. The book will land on prescriptions for the main international economic regimes and organizations (covering currencies, trade, investment, and finance), but by examining the conditions under which international cooperation is feasible and, for us, decent. First we need some scene setting on geopolitics, international relations, and legitimacy.

Geopolitics: From World War II’s Grand Bargain to the Thucydides Trap?

In the grand sweep of history, the postwar international economic order can be viewed as predicated on two grand bargains. First was the bargain between, on the one hand, the United States and, on the other hand, Western Europe and the free states of East Asia. The dollar succeeded sterling as the world’s reserve currency, and the European and East Asian powers abandoned their colonial projects—delivering world leadership to Washington, DC. In exchange, Europe and East Asia essentially outsourced their defense, and thus their external stability, to the United States, via NATO in the West and bilateral treaties in the East. The second de facto bargain, cemented during the 1970s, was between Washington and Middle Eastern oil producers. The marginal
supply of oil, coming from Saudi Arabia, was to be invoiced and traded in dol-
ars, and in exchange the new world hegemon armed its rulers and acquiesced
in their continuing accommodation (dating back, with bumps, to the eight-
teenth century) with local Wahhabi religious authorities. These were all fateful
choices.\textsuperscript{19}

While reality is hugely more complex, that stylized account captures the
vital truth that, boldly, the baton of leadership passed between allies who, de-
spite family differences and aggravations, drew on shared histories and cul-
tures. For nearly three-quarters of a century, Europeans have been able to
pursue their affairs while taking the global order as a given, allowing local
preferences for leisure and the good life to be expressed as never before.

Now that settled world might be changing, with the remarkable growth
during the 1990s and 2000s of emerging-market economies that are, by now,
rather more than emerging. Even though their per capita income levels remain
well below those of Western and East Asian democracies, China and India are
already big parts of global output and trade, and officials from countries as
widely dispersed as Brazil and Mexico, Indonesia and South Korea, and Saudi
Arabia sit at the G20 table.

\textbf{China and the West: Like Germany versus Britain around
the Turn of the Twentieth Century?}

Over recent years, many have compared the current geopolitical predicament
to that prevailing between Britain and Germany before World War I. The gen-
eral idea is that it is hard to avoid conflict, even war, between a rising state and
the established power: a thought going back to Thucydides’s account of the
Peloponnesian War between Sparta and Athens in the fifth century BCE.\textsuperscript{20}
Because the rising state cannot credibly commit not to turn the tables if and
when it becomes preeminent (a problem known to economists as moral

\textsuperscript{19} Major Saudi oil fields, discovered in 1938, were licensed to a US operator and became
larger than the Persian and other fields initially under British control-cum-influence. Washing-
ton’s acquiescing in religious fundamentalism might have reflected a Cold War wish to distin-
guish itself from Soviet atheism.

\textsuperscript{20} “What made war inevitable was the growth of Athenian power and the fear which this
caused in Sparta” (Thucydides, \textit{History}, I.23, p. 49). In fact, much of his account concerns con-
tingencies, including allies or friends drawing the powers into war. On World War I’s contingen-
cies, see Ferguson, \textit{Pity of War}.
hazard: see chapters 6 and 7), the established power has incentives to preempt things while it can.

The ancient and modern analogies are not crazy. Germany’s rise did disturb the prevailing balance of power. Its investment in Anatolian and Mesopotamian railways—the age’s critical infrastructure for economic development—triggered anxieties in rival capitals not dissimilar to those prompted by China’s Belt and Road Strategy (chapter 4). Just as today, those concerns were not only about commerce. All sides prized maintaining access to the Mesopotamian and Gulf oil fields and ports, and they were variously concerned about whether the crumbling but still massive Ottoman Empire was becoming Berlin’s pupil or finally falling apart.21 With Germany increasing its military assistance to the Porte, Moscow had geopolitical reasons to fret about the crucial Bosphorus and Dardanelles, as well as its role in Persia, and wanted its Entente partners (London and Paris) to apply financial sanctions or take more aggressive measures. Anyone making a case for imperial Germany being modernity’s instructive rising state for contemporary geopolitics could, perhaps, point to the support given by the People’s Republic of China (PRC) to Iran (and others) today.

But while instructive, the parallels are not complete. In the first place, quite unlike both the ancient and modern comparators, there is not (yet) in the wings some still greater power that might intervene to swing the outcome between Washington and Beijing (as Persia eventually did against Athens, and the United States did against the Second Reich’s western front).

Second, at the turn of the twentieth century, there was more than one rising power, and multiple established powers. Fearing Russia’s rise and intentions, Germany accelerated its military buildup, amplifying London’s concerns about Berlin.22 But Britain was sometimes more preoccupied by Russia’s “awesome expansion of . . . economic power and military strength.” Reciprocating, Moscow was frustrated about the naval support Britain was providing to the Porte. Paris, meanwhile, concerned that Moscow would outgrow their alliance against Germany, oiled its appeal with gigantic loans for railways that enabled Russia to mobilize troops toward the west. In consequence, while the Entente powers did, as classical International Relations theory posits, effectively rebalance against Germany, trust among them was low, scrambling whatever signals

21. Drawing on C. Clark, Sleepwalkers, pp. 334–49. The Ottomans disastrously sided with Germany in World War I.
22. Myerson, “Game Theory.”
their various confidential pacts were intended to deliver to Berlin. Today things are simpler, with only two full-purpose superpowers; India might eventually join them. Russia is a major actor below power’s all-purpose summit. While pointedly reminding the Obama administration it was already in Asia, only a few years later Moscow needed (at least) tacit acceptance from Beijing when it invaded Ukraine (chapters 3 and 10).

A third reason for being wary of modern Thucydides Trap comparisons is the mutualized threat provided by nuclear weapons. Nothing like that has prevailed before: when the Roman Republic totally destroyed Carthage, there was hardly a question of reciprocal annihilation. The constraint of mutual destruction applied through the recent Cold War but, as already noted, economic globalization means the PRC currently touches the West in immeasurably more ways than the Soviets ever did, giving both sides myriad opportunities to harm each other in ways that, as yet, would not trespass the legal boundaries of war (part I).

Finally, nearly all the instances typically cited as examples of the Thucydides Trap were fairly brief—half a century or so—and very much about raw power, or its commercial cousin, rather than ideology. By contrast, the contest between China and the West is likely to go on for much longer, a century or more, and is partly about how peoples and communities should live and govern themselves.

**France and Britain’s Long-Eighteenth-Century Struggle: A Strategic and Ideological Contest**

For that reason, an instructive parallel is Britain and France over the long eighteenth century. The tensions between them persisted from immediately after Britain’s 1688 constitutional transformation through to the end of the Napoleonic Wars in 1815, with persistent aftershocks. Three features of their struggle resonate today.

First, it was partly about ideology and culture. The British resisted successive variants of universalism: at the outset, the universal absolutist monarchy sought by Louis XIV; at the end, the political and social revolution declared

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in the name of universal rights but prosecuted through terror at home and proselytizing war abroad. When, at the end of the seventeenth century, the newly liberated English (in multiconfessional alliance with the very Catholic Holy Roman Empire, as well as the Protestant Dutch) went to war with France, they feared a Europe “submitted to the French yoke.”

When, a century later, Edmund Burke, having taken the American side in their war of independence, warned of the French Revolution’s dangers, it was because it ushered in the wrong kind of power (chapter 9). Similarly, some in the West conceive of their current strategic competition as being, ultimately, between the universalism of the authoritarian Chinese Communist Party and the pluralism inscribed into the constitutionalism of the West, while Beijing might see the proselytizing universalist shoe on the other foot. This first parallel is, then, about legitimation principles: the kind of world we shall live in.

Second, the French-British struggle was also a contest for markets and market dominance. Britons feared that universal monarchy would herald captive markets for France, not dissimilar to the sentiment that had driven Britain’s pursuit of overseas territories but closer to home. This is what the Scottish British Enlightenment philosopher David Hume, writing during the mid-eighteenth-century Seven Years’ War, disapprovingly called the “jealousy of trade.” Reason-of-state strategic thinking about national interests absorbed the economic realm: the glory of a state could be commercial as well as martial, and so it was worth fighting for.

Linking those first and second issues, contemporaries fretted over whether the structures of domestic power would affect the contestants’ relative capabilities. In particular, Hume and others worried that, in accumulating debt to finance war, absolutist France would have more degrees of freedom than republican (mixed-government) Britain, since London was constrained by its need to respect the interests and property rights of its citizens in order to preserve its system of government: “Either the nation must destroy public credit, or public credit will destroy the nation.” This is uncannily similar to

27. Armitage, “Edmund Burke.”
29. Hont, Jealousy of Trade, p. 59.
31. Hume, “Of Public Credit,” in Political Essays, p. 174. Hume worried absolutist France could survive reneging on its debt by simply putting down any insurrection: see Hont, Jealousy of Trade, p. 86. Over the course of the struggle, Britain’s public debt rose from zero to around
the parade of modern public intellectuals, Asian and Western, proclaiming or fretting that the PRC’s absolutism will give it a clear edge in policy agility, ambition, and execution.

Third, because Britain’s and France’s commercial ambitions had taken them almost everywhere, the underlying contest could be waged everywhere. And so it was: not only in every corner of Europe, but in North America and the West Indies, the Levant, North Africa, coastal India, and the East Indies. Similarly, the United States and China confront each other across the world. Surely that will continue, in every imaginable way, in every conceivable field: in trade, finance, cyber, technology, education, propaganda, polar exploration, outer space, and arenas hardly yet conceived. Today’s extraordinary connectivity is a vulnerability once states (and rogue actors) turn against each other, as is belatedly recognized.32

For precisely these reasons, accommodations and alliances (formal and informal) with third-party states will be vital today. But if the French-British contest is anything to go by, they will also be shifting. Whereas Britain was initially, as noted, allied with Habsburg Austria and the (then) minor Prussian state, during the middle of the eighteenth century the Austrian house moved to side with France, only to find its thousand-year-old Germanic Empire abolished a few decades later by Napoleon, who at the denouement could, in turn, be defeated only by the combined forces of Britain and a now mighty Prussia (“Give me night or give me Blucher,” Wellington implores the heavens in, for Brits, the 1970s movie’s central scene). On a long view, think India, Indonesia, and Brazil, as well as, conceivably, a rearmed Europe or Japan.

Four Scenarios

Summing up, a problem with the Thucydidean picture of the US-PRC predicament is that it too easily beckons assumptions that it is all about power, and one way or another it will be all over quite soon. Maybe. But I want to suggest this latest geopolitical standoff is just as likely to be going on long after China is ensconced as a great power. For Britain and France, facing each other at the dawn of commercial society three centuries ago, the eighteenth century was twice GDP but it did not default. Its prevailing against France, despite a smaller population, is sometimes attributed to innovations in public finance. See Slater, National Debt, fig. 4, p. 46, and chap. 4.

32. Leonard, Age of Unpeace, chap. 4.
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punctuated by efforts to separate economic competition from existential struggle, only for jealousies of trade to regain traction before the revolutionary denouement. Relations began to regularize only as the nineteenth century progressed (chapter 2), with plenty of later betrayals (London’s conduct during Suez), fractures (General de Gaulle twice vetoing Britain’s admission to the European Union), and misapprehensions.

Since predictions are foolhardy, this book offers four scenarios: Linger ing Status Quo; Superpower Struggle (that most resembling Britain and France’s eighteenth-century contest); New Cold War (retreat to autarkic blocs); and Reshaped World Order (with a new top table reconfiguring international regimes and organizations). This leaves space for Washington and Beijing to emulate their eighteenth-century predecessors by occasionally trying to put boundaries around their contest, for other powers to rise, and for Europe or Japan to reassert themselves as hard powers.

“International Relations” on International Relations

Naturally, all this is crawled over by policymakers, commentators, and academics, especially in the discipline of International Relations.

For some of the latter, globalization heralded not merely mundane economic integration but a deep transformation of political life. With the state itself set to be eclipsed by processes marginalizing the familiar realms of diplomacy, treaty-making, and intergovernmental cooperation, we were on the threshold of global governance. This was to be the real New World Order delivered by the end of the Cold War—presided over by transnational networks of, in the main, unelected technocrats. As description-cum-prediction, it proved mixed, truer in some fields than others. As normative project, however, it hardly lacked ambition: “Sovereignty itself could be disaggregated, that is attached to . . . courts, regulatory agencies, legislators or legislative committees. . . . The core characteristic . . . would shift from [states’] autonomy from outside interference to the capacity to participate in trans-governmental networks.” Others maintained it was delusional to fancy that the basics of

33. Shovlin, Trading with the Enemy, disinters the attempted compromises.
34. Capitals used for the academic discipline.
35. “New world order” was a phrase of President George H. W. Bush’s, with a later intellectual manifesto in Slaughter, New World Order (elaborating a 1997 Foreign Affairs piece).
36. Slaughter, New World Order, p. 34.
interstate relations had changed. But that did not deter a veritable avalanche of visions and programs, in varying degrees of Olympian ambition or granular prescription. Just three very different normative agendas will serve as illustrations.

The first aims for a holistic global constitutional order. Juridically, it might be hierarchical, culminating in a new world court with mandatory universal jurisdiction across all states and fields. Gone would be the currently unresolvable conflicts between different regimes (trade, sovereign default, the environment, human rights, war and peace, and so on). Gone would be the limited jurisdiction of the existing international courts over international organizations (the World Bank, UN peacekeepers, and humanitarian aid teams). This would be the realm of law: rights trump choice, judges trump politics.

A second vision—libertarian internationalism—also looks to international law but to entrench an international economy that is free and open, thereby constraining the nationalist or welfare-statist urges of populist or democratic states. With ideational roots in mid-nineteenth-century classical liberalism and its early engine room in Geneva’s post–World War II community of trade officials and intellectuals, the goal is an international libertarian order buttressed by heavily constrained global institutions. Any international organizations would have minimal agency, impeding bureaucratic activism.

A third vision—the restoration of sovereignty—embraces the second’s technocratic parsimony while jettisoning the rest. Since, on this view, international agreements unavoidably qualify states’ sovereignty, especially when delegating to international organizations or courts, they are presumptively a bad thing (chapter 11). Paradoxically but unacceptably, they jeopardize the very authority on which they depend, and that must stop.

The headlines—global constitutionalism, libertarianism, unalloyed sovereignty—are less interesting than the background values. The first would rely on values and norms being shared across the globe, implying cosmopolitan commitments to all humans (of equal concern), with the rights of the individual paramount, trumping those of the territorial state. By contrast, the second—libertarian economic constitutionalism—can dispense with

convergence of deep values in the interest of promoting efficiency via a freedom to choose that is constrained only insofar as it infringes on others’ choices; a globalized regime of negative liberty. Cooperative institutions would exist not as the instantiation of global justice but rather as a means for individuals and businesses to pursue their rational self-interest subject to agreed limits. Nevertheless, libertarian constitutionalism would most likely be expected to drive convergence in states’ economic structures, including freedom to trade and protections from discriminatory (municipal) state laws. In sharp contrast, the third—sovereignty restored in substance, not merely legal form—has the flavor of aiming for no more than peaceful coexistence among states.

If you are thinking all this is slightly loopy, I agree (and varnished all three for that effect). But lying in the background is something genuinely important: different explanations of what international relations are about.

*The Power of Old Ideas: Hobbesian, Lockean-Grotian, and Kantian Theories*

Is what *really* matters power, material capabilities, and war and peace, as insisted by “International Relations realists”? Or is it interdependence, cooperation, and hence international regimes and organizations, as maintained by liberal international institutionalists of various stripes? Or is it values, norms, and hence, at root, ideas and identities, as claimed by constructivist social theorists? The debate is spirited, and long standing, as nicely captured on the eve of World War II by the classical realist E. H. Carr: “Utopians . . . think in terms of ethics, and realists . . . in terms of power.”

Today’s three schools—they are nothing less—often seem to pledge allegiance to venerable traditions of European thought embodied in the work of,
in turn, Thomas Hobbes (1588–1679, a translator of Thucydides), John Locke (1632–1704), and Immanuel Kant (1724–1804) and their followers. As such, the lives of states and their peoples in the international arena are destined to be, variously, inalienably nasty and brutish (if not always short); amenable to rational, self-interested cooperation; and capable of pacification through public reason.

Among many strange things about this, one stands out: which among power, rational calculation, and values one wants to emphasize depends (surely?) on what question in international relations or policy one is trying to address. Unsurprisingly, realists talk mostly about war and peace; internationalist liberals mainly about the regimes for trade, the environment, and other technical collective-action problems; and constructivists about human rights, the role of international law in promoting convergence in norms and values, and so on. In terms that will, when developed in part II, do a lot of work in this book, these positions could be associated with, respectively, Order, System, and Society.

But if, as here, one is interested in how globalization has affected geopolitics and the legitimacy of international regimes and organizations, we need to attend to the whole: to power and conflict, selfish interests, rational calculation, norms and values, and so to each of material capabilities, policy regimes, international law, and opinion. In taking that on, the book will draw on part of our intellectual heritage that is relatively neglected in political theory: the writings of Kant’s contemporary David Hume (1711–76), whom we have encountered already. Unlike his peers, Hume did not allocate politics and economics, or ethics and politics, to separate spheres. He can help us think about coordination and cooperation problems, in remarkably modern game-theoretic terms, in ways that are not detached from questions of political authority.

Indeed, this book is partly an effort to help recover a lost opportunity in International Relations. It does so by marrying Hume to the twentieth-century

44. See Wight, “Anatomy of International Thought,” in International Relations; and Bull, Anarchical Society, pp. 23–26. This is not nostalgia. Whereas science’s relationship with its own history does not entail studying Isaac Newton’s or Albert Einstein’s papers to become a physicist, International Relations scholarship and international political theory do not have an account of their own earlier errors and progress, leaving them, like other humanistic disciplines, forever in dialogue with their past. See the title essay in Williams, Philosophy as a Humanistic Discipline.
philosopher Bernard Williams (1929–2003) who, after a career spent upending various parts of ethical theory, turned tantalizingly in his final years to political philosophy, espousing a kind of realism. It is a realism that studiously avoids erecting political theory on a foundational morality system, but without, importantly, ejecting moral considerations.° And a central message it takes from Thucydides, of whom both Hume and Williams were big fans, is not the inevitability of this or that, or of might beating right, but rather the dangers of wishful thinking.°

The State and International “Anarchy”

A central realist tenet is that states remain elemental to international politics. Those who expected or wished for their disappearance have, for the moment, been derailed by Beijing’s assertion of state power. But there is more to it than that. We live in a world where local order and stability (where they prevail) are maintained mainly by states, with their formal and de facto monopoly over coercive power in a defined territory.

Many International Relations realists draw from this the inference that, without world government—leaving a state of “anarchy,” as some like to call it—international cooperation is a sham, or problematic, and probably both. But that argument is at best incomplete. The absence of a higher power does not of itself prevent states—even enemies—from entering bargains and agreements among themselves to avoid the heavy costs of war, secure some public goods, and mitigate certain other shared problems.° The point, rather, is that many such bargains are unlikely to hold, and, grasping that, leaders and peoples act (or don’t) accordingly. Deep down, the central problem of cooperation among any set of wholly autonomous actors is what to do about

° See the essays in Williams, In the Beginning. For those unfamiliar with Williams, among many other things he articulated a devastating critique of Utilitarianism as a normative creed (which goes well beyond giving weight to usefulness) and aimed to dismantle Kantian deontological morality systems. He served on various British public policy commissions, just as Hume was an aide to senior British diplomats and military commanders, and for a while an undersecretary in what today is the Foreign Office.

° Geuss, “Thucydides, Nietzsche, and Williams.” Less romantic than Nietzsche about the ancient historian, Williams observes, “The psychology he deploys in his explanations is not at the service of his ethical beliefs” (Shame and Necessity, p. 161). (Thucydides is, though, partly trying to prop up the reputation of Athens’s early leader, Pericles, who had been lost to plague.)

° Precisely registered in Fearon, “Rationalist Explanations for War.”
dissembling, lying, and broken promises. These are problems of accuracy and sincerity, which, as Williams brilliantly set out, are twin facets of truthfulness.\textsuperscript{48}

Seen thus, part of the puzzle of international cooperation becomes why truthfulness is especially challenging among states. After all, it is a problem faced and sometimes overcome in other nonhierarchical contexts, including for example among merchants transacting at great distances in the medieval world without a state’s oversight and enforcement.\textsuperscript{49} In the international case, is the underlying problem the scale of the international community (it’s not so big), or is it something to do with the nature of the actors (states)? I am going to argue that it is partly the latter: that needing to maintain their home monopoly over legitimate coercive power, they can face incredibly tough trade-offs when bargaining and cooperating with each other.

**Legitimacy: History and Civilizations**

Preserving order is the First Political Question, as Williams put it, because answering it can liberate us from fear, a precondition for widespread cooperation in large, complex societies. But it does not follow that any old order will do. To avoid resistance and spur participation, an order needs to be accepted, in some sense, by a state’s citizen-subjects.\textsuperscript{50} As exhibited at the chapter head, legitimacy marks the dividing line between political relations and the quite different situation of tyranny or excessively coercive domination (chapter 12).

While not condemning states and peoples to an inevitably fragile international anarchy (although I shall have to argue for that), the vital role of the domestic state does have important implications for international cooperation. When a state pools or delegates power and authority in an international regime or organization, it is vitally important that its legitimacy at home is not undermined. An international system’s legitimacy has two dimensions: among states, and between individual states and their peoples. In both, institutions and policy regimes will need to be resilient to adverse shocks—and not aim for more than can be resilient—if an order or system is to avoid unraveling under pressure.\textsuperscript{51} Resilience and legitimacy will be running themes.

\textsuperscript{48} Williams, *Truth and Truthfulness*, especially chap. 5 on sincerity.

\textsuperscript{49} Milgrom et al., “Role of Institutions.”

\textsuperscript{50} I use “citizen-subjects” when the discussion is not confined to (broadly) liberal states, and “citizens” when it is.

\textsuperscript{51} Brunnermeier, *Resilient Society*. 
History and Vindicatory Genealogies

The book also takes history to matter to its central questions because our deep political values, meaning the values embedded in our core political institutions, are partly a product of the problems we have faced and the opportunities we have reached for. Those values, and hence our history, including how we make sense of it, shape the resources we have to navigate new challenges and opportunities.

Although not cashed out with Williams’s habitual élan, that kind of thinking is found in a fourth approach to international relations—known as the English School, mainly signifying its typical absence from US campuses. Their patron saint has been the seventeenth-century Dutch lawyer and diplomat—and “miracle of Holland,” as France’s Henri IV once described him—Hugo de Groot (Grotius, 1583–1645), who was taken to combine pragmatism with moral rationalism, connecting him with Locke (chapter 2).

As well as introducing useful distinctions between international order, system, and society that will be developed here, Hedley Bull and other English School writers, notably Ian Clark, draw heavily on history in accounts of the norms and institutions that (might) both constitute and hold together any international society. Consistent with that, Bull avoids calling on a universal morality that stipulates categorical imperatives for states and peoples, but at the cost of being criticized, with other Grotians, for not providing solid foundations that securely foreclose relativism. Hume and Williams offer a way of escaping from both Hobbesians and Kantians, and of prioritizing history and locality, without being cornered into moral skepticism or left hanging in the air. Both prudence and morals matter, but the search for ultimate foundations—for a grounding in some version of the morality system—goes away. What the English School has needed is a Scotsman.

There is more going on here, however, than histories of how we happen to have gotten to where we happen to be, whether that be a balance of power or elements of customary law. Some stylized histories are about how conventions, norms, and practices become internalized. Pace Friedrich Nietzsche,

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52. The set text is Bull, Anarchical Society. On connections between Grotius and Locke, see Tuck, Rights of War, pp. 170–75.

53. On criticisms of Bull’s ungrounded Grotianism, see Harris, “Order and Justice.” (Incidentally, the English School is not exclusively English; Bull himself was born and initially educated in Australia.) On the three traditions, see Doyle and Carlson, “Silence of the Laws?”
such genealogies need not inevitably undermine our institutions: sometimes they can be, as Williams emphasized, vindicatory. In his hands, truthfulness first evolves as a socially useful practice but becomes internalized as something intrinsically valuable, enhancing its utility precisely because people are not consciously motivated by its functionality: the origins story drops out of sight. A similar kind of story was told by Hume for promising, but with an important rider for promises between states (chapter 5).

**Legitimacy and Civilizational Competition**

Despite its apparent high abstraction, that emphasis on the genealogy of institutions and norms highlights a deep fracture in the current environment. Institutionalized norms that evolved locally are not always shared across great distances—where distance might be civilizational as well as geographic. Whatever the merits of my eighteenth-century France-Britain analogue with the West and the PRC today, those earlier protagonists did not face a civilizational airgap: Europe’s (and North America’s) classically educated politicians and diplomats were familiar with Greek, Roman, and biblical texts; to a lesser extent with the premodern scholastic and humanist writers; and with each other. All of which made things easier after 1815, but harder with the Porte. Today, a crunch issue facing the West somewhere down the road—certainly under the Reshaped World Order scenario—is where, in order to preserve ways of life, lines should be drawn in reforming international institutions. As Williams put the general point, “Historical understanding . . . can help with the business . . . of distinguishing between different ways in which various of our ideas and procedures can seem to be such that we cannot get beyond them, that there is no conceivable alternative.”

That could hardly matter more given a geopolitical conjuncture in which we meet rising states and superpowers with quite different histories, embedded values, and institutions; in other words, states, with different civilizational histories, that were less designers than recipients of the current international

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54. Craig, “Genealogies”; Queloz, “Williams’s Pragmatic Genealogy.” Hume did something similar, on a grander scale, in his six-volume history of Britain’s political institutions: see Sabl, Hume’s Politics.

55. Adam Smith visited France during the Seven Years’ War, meeting Voltaire. Hume and Jean-Jacques Rousseau knew each other, and fell out.

56. From the title essay of Williams, Philosophy as a Humanistic Discipline, p. 191.
order and system. No trivial matter, this is apparent in tensions over human rights norms, regimes, and conduct.

If the West has, since World War II, been rediscovering those parts of its roots associated with ideas of an essential shared humanity and of universally binding “natural” or higher law (chapters 2 and 3), some rising powers, notably the PRC, remain attached to the international legal doctrines prevailing during the first globalization, when East Asian states joined “international society.” That was an international law for coexistence among sovereign states entitled to territorial integrity, and to noninterference, without qualification. This matters hugely to our story because if individuals are taken to have inalienable rights, then states and their rulers no longer enjoy inviolable sovereignty (chapter 11).

Bringing things together, globalization’s costs have become salient just as societies face dislocation from technological change, war, and mass migrations, and as international institutions are challenged by civilizational geopolitics. Great uncertainty about the future combines with legitimacy strains at home and abroad.58

Economics versus Political Theory?

Before continuing, it is worth asking whether the book is careering headlong into a fundamental clash between economics and political theory. It is true that economists (and political scientists), seeking to make sense of the world in terms of choices rationally made by individuals, businesses, and governments, would approach questions of institutional design through the lens of preferences (including yearnings for power and glory) and constraints. At a high level, this goes to a methodological feature of economics, which often proceeds by identifying a social welfare problem and working out how a benign social planner would cure the problem efficiently. All government functions are in the hands of the benign planner, subject only to whether delegation can help to overcome any problems in credibly committing to the socially optimal plan.

57. The great surviving and widely operating civilizational cultures might be taken to be Confucian-Chinese, Persian, Sanskrit, Arab-Islamic, and European. There is obviously overlap: India, for example, is a Sanskrit-Persian (and European?) fusion. Other civilizations—e.g., Tibetan-Buddhist, Chinggisid-Mongol—currently subsist on the margins of more dominant ones.

58. For similar themes, see King, Grave New World.
By contrast, the starting point for much political and constitutional theory is that the greatest threat to the people’s well-being is arbitrary or oppressive government by an all-powerful unitary sovereign. The values of the rule of law and of constitutionalism, including notably the separation of powers, are directed at keeping those problems at bay. In summary, one discipline, economics, positing a benign sovereign, sets out to achieve a flourishing society in which well-being (on some measure) is maximized, while the other, political and constitutional theory, alert to the possibility of a malign sovereign, aims to avoid tyranny (or, in an international context, war and tyranny).

That would be a forlorn prospect. In fact, we are going to see that, despite being rather neglected even in game-theoretic International Relations, the modern economics of “mechanism design” has things to say—about conditions for rules being enforceable and so credible, about institutional equilibria, and hence about design—that will mesh in profoundly helpful ways with Williams’s realist political theory. In some ways, Hume is the intellectual ancestor of both traditions, which lost track of each other during the nineteenth century.

Structure of the Book

The book has five parts, ranging over history, political economy, geopolitics, political theory, and policy diagnosis and prescription. It has high and low roads. The former, traveled mainly via chapters 2, 5–8, and 11–14, develops and applies realist political theory and mechanism-design economics to international relations and cooperative regimes. Schematically, the argument builds a chain beginning with conventions that solve coordination problems and can sometimes help cooperation. Some of those conventions become social norms, some of which in turn are internalized as values, and some of those values stand up under critical reflection (normativity). This part of the argument will dissolve some distinctions between power, interests, and values.

The lower road, traveled mainly via chapters 3, 4, 9, 10, and 15–19, addresses current geopolitical tensions, the rise of geoeconomic strategy, vulnerabilities in the international economy, and legitimacy issues challenging international regimes and organizations. Obviously I believe the roads intersect in vital ways, even though those traversing them outside this book rarely look for each other.

Part I offers a stylized history of the evolution, design, and, lately, fracturing of the international sphere. It aims to convey, especially for nonspecialists and
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policymakers, the ways that practices and ideas around sovereignty, war and peace, the economy, and a lot more are intertwined. For example, during the first globalization, a state could, in the last resort, enforce a debt claim by going to war, but unprovoked interference with another state’s commerce could be an illegal act of war. It is now the other way around. Another example is the rise, since World War II’s crimes against humanity, of some human rights laws held to stand above all other concerns. Part I closes by summarizing current superpower tensions and introducing the Four Scenarios.

Part II is about the (Humean) conditions under which interstate cooperation can be feasible, and how organizations can sometimes help. Deploying ideas of organic versus designed institutions, and of self-enforcing versus dependent institutional equilibria, it builds a bridge from game-theoretic accounts of cooperative regimes to the English School framework of international order, system, and society (of various kinds). This helps resolve ambiguities in lamentations for a “rules-based international order” or “system.” Each chapter in part II leaves loose ends, with one, legitimacy, left hanging until part IV.

Part III turns to power, geopolitics, and civilizational difference. It looks at whether the norms underlying the post–World War II Order-System can be squared with values embedded in China’s core institutions and the legacy of its old Tribute System of international relations. Fleshing out the Four Scenarios, it concludes that a robust geopolitical strategy will need to be sensitive to our core values given the ideological element in the contest-cum-struggle.

Part IV, after vainly searching for answers in the values and practices of sovereignty, turns to a realist account of political legitimacy, which takes seriously the need for high-level institutions to be self-enforcing and rejects a top-down morality-first approach but not morality. The connection between self-enforcing equilibria and history-dependent legitimation principles is the book’s analytical engine: a demand for incentives-values compatibility. Thus armed, it pivots, in chapter 13, to posing a first international political question. Then, beginning the descent from the high ground, principles are articulated

59. Even officials sometimes pause when asked what they mean by “system” or “order,” and which rules are lamented.
60. On realist political theory, see Rossi and Sleat, “Realism.” For important morality-led analyses of international cooperation that take institutions seriously and treat states as elemental actors, see Christiano, “Legitimacy of International Institutions,” and Buchanan, “Institutional Legitimacy” and other writings.
for pooling and delegating power in international regimes and organizations: *Principles for Participation and Delegation* by constitutional democracies in international System.

Finally, after summarizing vulnerabilities and design flaws in the current international economy and how they affect the Four Scenarios, part V applies those principles to the international monetary order / the IMF, the trade system / the WTO, the investment order / bilateral investment treaties, and the international financial system / Basel. None escapes unscathed. The ubiquity of political judgment is stressed.

Before moving on, I should underline, because it might occasionally seem otherwise, especially in parts II and III, that I do not think the state is a monolithic, unitary rational actor. States are obviously made up of different branches of government, and many organizations within them, each subject to its own pressures, incentives, and pathologies, not least because they are led and operated by people.
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