The nature and sources of liberal international order

DANIEL DEUDNEY AND G. JOHN IKE NBERRY

Abstract. Debates about the future of relations among the advanced industrial countries after the Cold War hinge on theories about the sources of international political order. Realism advances the most defined—and pessimistic—answers drawing on theories of anarchy, balance, and hegemony. But these theories are not able to explain the origins and continuing stability of relations among the United States and its European and Asian partners. This article develops a theory of liberal international order that captures its major structures, institutions, and practices. Distinctive features mark postwar liberal order—co-binding security institutions, penetrated American hegemony, semi-sovereign great powers, economic openness, and civic identity. It is these multifaceted and interlocking features of Western liberal order that give it a durability and significance.

Introduction

The end of the Cold War has triggered new debates about international relations theory. Most of the attention has been focused on explaining the end of the Cold War. Equally important, however, this epochal development raises new questions about the impact of forty years of East-West rivalry on the relations among the Western liberal democracies. This issue is not simply of passing historical interest because it bears on our expectations about the future trajectory of relations among the great powers in the West. Will the end of the Cold War lead to the decline of cohesive and cooperative relations among the Western liberal democracies? Will major Western political institutions, such as NATO and the US–Japanese alliance, decay and fragment? Will ‘semi-sovereign’ Germany and Japan revert to traditional great power status? Will the United States revert to its traditional less engaged and isolationist posture? Our answers to these questions depend upon the source of Western order: was the Cold War the primary source of Western solidarity or does the West have a distinctive and robust political order that predated and paralleled the Cold War?

Realism advances the most clearly defined—but pessimistic—answers to these questions. Neorealist theory provides two powerful explanations for cooperation within the West: balance of power and hegemony. Realist balance of power theory holds that Western institutions are the result of balancing to counter the Soviet threat, which provided the incentive for Western countries to cooperate.¹ With the

end of the Cold War, balance of power theory expects Western security organizations, such as NATO, to weaken and eventually return to a pattern of strategic rivalry. Realist hegemony theory holds that American power created and maintained the order in the West by offering incentives to the other Western democracies to participate and that Western conflict will rise as American power declines. The basic thrust of these realist theories is that the relations among the Western states will return to the patterns of the 1930s and early 40s, in which the problems of anarchy dominated: economic rivalry, security dilemmas, arms races, hyper-nationalism, balancing alliances, and ultimately the threat of war.

But realists overlook important facts. In the wake of the second World War, the United States and its allies created a political, economic, and strategic order that was explicitly conceived as a solution to the problems that led to the depression and world war. The origins of this order predated the full onset of the Cold War and it was institutionalized at least semi-independently of it. Major features of this order cannot be explained by realist theories. The Western order contains too many consensual and reciprocal relations to be explained as the product of balancing and hegemony. Nor can the degree of Western institutionalization, its multilateral pattern, and the stable ‘semi-sovereignty’ of Germany and Japan be explained by balancing and American hegemony. The timing of its origins and many of its salient features provide a puzzle that can only be solved by looking beyond realist theories.

Of course, many liberal theories have attempted to understand and explain the distinctive features of the Western political order and their overall picture of the West’s future is much more optimistic than that of realism. Theories of the democratic peace, pluralistic security communities, complex interdependence, and the trading state attempt to capture distinctive features of liberal, capitalist, and democratic modern societies and their relations. While offering important insights into the Western order, these liberal theories are incomplete and miss several of its most important aspects.

The aim of this article is to develop a theory of ‘structural liberalism’ that more adequately captures the unique features of this Western order in a way that builds on the strengths but goes beyond the weaknesses of current realist and liberal theories. Existing liberal theories do not give sufficient prominence to nor attempt to explain the prevalence of co-binding security practices over traditional balancing, the distinctive system-structural features of the West, the peculiarly penetrated and reciprocal nature of American hegemony, the role of capitalism in overcoming the problem of relative gains, and the distinctive civic political identity that pervades these societies. In contrast, structural liberalism seeks to capture the major components of the Western political order and their inter-relationships. These core

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dimensions of Western political order and contrasting realist descriptions and theories of order are summarized in Figure 1.

The argument unfolds in five sections, each focused on a component of the Western order. The first section examines the security practice of co-binding as a liberal solution to the problem of anarchy. The second section explores the penetrated character of American hegemony, the role of transnational relations in American hegemony, and its reciprocal rather than coercive character. The third section analyses the role of the semi-sovereign and partial great powers of Japan and

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Figure 1. *Structural liberal vs neorealist order.*
Germany as structural features of the Western political order. The fourth section examines structural openness, the political foundations of economic openness and its solutions to relative gains problems. The final section focuses on the distinctive Western civic identity and community and its role in underpinning the liberal institutions in the West. In the conclusion, the significance of this alternative conception of liberal political order is discussed.

Security Co-Binding

Neorealism provides a very strong argument relating system structure to unit-level practices. The core of neorealist theory is that states in an anarchical system will pursue a strategy of balancing. Anarchy means that there is no central government that the units can rely upon for security; and in such a situation, states seeking security will balance against other states that they perceive to be threats to their security. Balancing has both an internal and external dimension. Internally, it takes the form of the domestic mobilization of power resources (via armament and the generation of state capacity). Externally, balancing typically takes the form of ad hoc, counter hegemonic alliances in which states join together with other states that fear for their security from threatening or powerful states. Moreover, successful balancing, by undercutting the concentration of power at the system level, tends to reinforce and reproduce anarchy; in effect, balancing and anarchy are co-generative. Likewise, balancing in anarchy tends to strengthen the capacity of the state in its relation with society, which in turn makes the creation of system-wide governance more difficult. This pattern of balancing in anarchy has characterized the Western state system both in its early modern, Europe-centred phase as well as in the global system that has emerged in late-modern times. Because of this long pattern and deep logic, realists expect balancing to be pervasive in international politics wherever there is anarchy.

This realist view neglects a distinctive practice that liberal states have pioneered and which has given the West a distinctive structure unlike anarchy. Unrecognized by neorealists, liberal states practice co-binding—that is, they attempt to tie one another down by locking each other into institutions that mutually constrain one another. This practice of co-binding constraint can be either asymmetrical or symmetrical. Asymmetrical binding is characteristic of hegemony or empire, but liberal states practice a more mutual and reciprocal co-binding that overcomes the effects of anarchy without producing hierarchy. This practice of co-binding does not ignore the problems and dynamics of anarchy, but rather aims to overcome them. By establishing institutions of mutual constraint, co-binding reduces the risks and uncertainties associated with anarchy. It is a practice that aims to tie potential

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threatening states down into predictable and restrained patterns of behaviour, and it makes unnecessary balancing against such potential threats.

Co-binding practices are particularly suited to liberal states. When co-binding is successful, it reduces the necessity for units to have strong and autonomous state appareatuses. Moreover, democratic and liberal states are particularly well suited to engage in co-binding, because their internal structures more readily lend themselves to the establishment of institutions that constrain state autonomy. As with anarchy and balancing, co-binding creates an international situation that is congenial to the liberal states that are particularly suited to co-binding. This co-binding practice has been neglected by neo-realist theory, but it has a robust logic that liberal states in the West have exhibited.

Co-binding is an important feature of the Western liberal order. While balancing and hegemony played a role in the formation of these Western institutions, this binding practice was significantly and independently motivated by an attempt to overcome anarchy and its consequences among the Western states. After the first World War, the United States sought through the League of Nations to establish a system of binding restraints among the Western states, but this was not fully attempted in practice and, to the extent it was, it failed for a variety of reasons. After the second World War, the United States and liberal states in Europe sought again to bind themselves through NATO. Although realists dismiss failed efforts at binding as idealistic, and successful post-World War II institutions as purely the result of balancing, these institutions were created in significant part by Europeans and Americans who were eager to avoid the patterns that led to the two world wars.

The most important co-binding institution in the West, of course, is NATO. Although the Soviet threat provided much of the political impetus to form NATO, the alliance always had in the minds of its most active advocates the additional purpose of constraining the Western European states vis-a-vis each other and tying the United States into Europe. Indeed, NATO was as much a solution for the ‘German problem’ as it was a counter to the Soviet Union. As the first NATO Secretary General, Lord Ismay famously put it, the purpose of NATO was to keep the ‘Russians out, the Germans down, and the Americans in’. These aims were all inter-related: in order to counter-balance the Soviet Union it was necessary to mobilize German power in a way that the other European states did not find threatening and to tie the United States into a firm commitment on the continent.

The NATO alliance went beyond the traditional realist conception of an ad hoc defence alliance, because it created an elaborate organization and drew states into joint force planning, international military command structures, and established a complex transgovernmental political process for making political and military decisions. The co-binding character of this alliance is manifested in the remarkable effort that its member states made to give their commitment a semi-permanent status—to lock themselves in so as to make it difficult to exit.

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The desire to overcome the dynamics of anarchy also gave rise to an agenda for economic co-binding, particularly in Europe. The European union movement explicitly sought to achieve economic interdependence between Germany and her neighbours in order to make strategic military competition much more costly and difficult to undertake. The first fruit of this programme, the European Coal and Steel Community, effectively pooled these heavy industries that had been essential for war making. In its administration of the Marshall Plan, the United States sought to encourage the creation of joint economic organizations in order to create economic interdependencies that crossed over the traditional lines of hostilities between European states.\textsuperscript{11} The United States also supported the creation of political institutions of European union, so as to bind the European states together and foreclose a return to the syndromes of anarchy.\textsuperscript{12} American supporters of European reconstruction as well as European advocates of the European community explicitly sought to create European institutions that were more like the United States than the traditional Westphalian states in anarchy.

The result of this security co-binding among Western liberal states was the creation of a political order that successfully mitigated anarchy within the West in ways that neorealist theory fails to appreciate. Although these institutions created by binding practices significantly altered the anarchical relations within the Atlantic world, they fell far short of creating a hierarchy. Because Waltzian neorealism conceives of order as either hierarchical or anarchical, it lacks the ability to grasp institutions between hierarchy and anarchy that constitute the structure of the liberal order.

Penetrated hegemony

The second major realist explanation for the Western political order is American hegemony. Hegemony theorists, tracing their roots from Thucydides through to E.H. Carr, claim that order arises from concentrations of power, and when concentrated power is absent disorder marks politics, both domestic and international. In international systems, concentrations of power produce hegemony, which is conceived as a system organized around asymmetrical power relations.\textsuperscript{13} Hegemonic theorists argue that Western order is the product of American preponderance, which was at its zenith in the immediate post-World War II years when the major security and economic rules and institutions were established. In this image of the West, order is maintained because the United States has the capacity and the will to compel and coerce to establish and maintain rules and to provide inducements and rewards to its client states in Europe and East Asia.

Both balance of power and hegemonic theories are conventionally viewed as versions of neorealism, but their relationship is much more problematic. In fact,


these two versions of neorealist theory have quite contradictory images of order in world politics—one emphasizing that order comes from concentrations of power and the other emphasizing that concentrations of power produce balancing resistance. Thus balance of power theory poses a fundamental question to hegemonic theory: why do subordinate states within a hegemonic system not balance against the hegemon? To answer this question one must look at the ways in which stable hegemonic orders depart from the simple image provided by hegemonic theory.

The American-centred Western order exhibits far more reciprocity and legitimacy than an order based solely on superordinate and subordinate relations. American hegemony has a distinctively liberal cast because it has been more consensual, cooperative, and integrative than it has been coercive. The distinctive features of this system—particularly its transparency, the diffusion of power into many hands, and the multiple points of access to policy-making—have enabled Western European and Japanese allies to participate in policy-making for the overall system. As a result, American hegemony has been highly legitimate and is an ‘empire by invitation’.

To understand this system it is necessary to incorporate two factors neglected by realists: the structure of the American state and the prevalence of transnational relations. When a liberal state is hegemonic, the subordinate actors in the system have a variety of channels and mechanisms for registering their interests with the hegemon. Transnational relations are the vehicles by which subordinate actors in the system represent their interests to the hegemonic power and the vehicle through which consensus between the hegemon and lesser powers is achieved. Taken together, liberal state openness and transnational relations create an ongoing political process within the hegemonic system without which the system would be undermined by balancing or become coercive.

A distinctive feature of the American state is its decentralized structure, which provides numerous points of access to competing groups, both domestic and foreign. Because the decision-making process of the American liberal state is so transparent, secondary powers are not subject to surprises. The fundamental character of the American liberal state is that it is elaborately articulated and accessible to groups and forces emerging from civil societies. The size, diversity, and federal character of the American political system also provides many points of influence and access. The American polity has many of the features associated with international politics—such as decentralization and multiple power centres—and therefore is particularly well prepared to incorporate pressures and influences from liberal

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14 For a realist argument that secondary states will balance against American hegemony, see Christopher Layne, ‘The Unipolar Illusion’, *International Security*, 17: 4 (Spring 1993).

15 Some realists have faulted the United States for lacking a centralized and autonomous capacity to make and implement foreign policy, but it is precisely the absence of these features that have made possible the reciprocal and consensual exercise of American power.


17 The incomplete nature of Japanese liberalism and the difficulty that transnational forces have in influencing the Japanese policy process suggest that Japanese hegemony would be more resisted and more coercive.
societies outside itself. In sum, the open domestic structure of the United States is not simply an anomalous or solely domestic phenomenon, but is integral to the operation of the Western system.

Transnational relations are a second integral component of the liberal hegemonic system, whose role and significance has not been grasped by either realist or liberal theorists. Realists view transnational relations as derivative of hegemonic power and thus of secondary importance. Hegemony provides a framework within which such interactions can flourish and the growth of transnational relations in the post-World War II era is a consequence of American hegemony. Conversely, liberal theorists, who pay a great deal of attention to transnational relations, see them as the beginnings of a system that is expected to eventually displace the state and locate political power in non-state entities such as multinational corporations, international organizations, and networks of transnational and transgovernmental experts.

Far from being ancillary or derivative, transnational relations are a vital component of the operation of this system. This system provides transparency, access, representation, and communication and consensus-building mechanisms. Because of the receptiveness of the liberal state and the existence of transnational relations, subordinate states achieve effective representation. Furthermore, transnational connections between the actors in a hegemonic system constitute a complex communication system that is continuously shaping preferences and thus moderating the divergence of interests among actors in the system. Transnational networks also serve to forge a consensus and lobby policy-makers throughout the system. In hegemonic systems infused with transnational relations, the legitimacy of the asymmetrical relationships is enhanced. Such processes endow the relations with a degree of acceptability in the eyes of subordinate powers. This in turn reduces the tendency for subordinate powers to resist and, correspondingly, diminishes the need for the hegemon to exercise coercion. Such legitimacy endows hegemonic systems with a greater degree of stability and resilience than what the realist hegemonic model expects. Because of the accessible state structure and transnational state processes, the arrows of influence are not in one direction—from the centre to the periphery—as in the hegemonic model, but rather run in both directions, producing a fundamentally reciprocal political order.


The relationship between the United States and Japan is less extensively institutionalized than Atlantic relations, however it also exhibits similar features. Japanese corporate representatives have extensively accessed the Washington policymaking process and have been able to influence American decision making in areas that affect Japanese interests, particularly with regard to trade policy. This Japanese access has not been reciprocated, but this asymmetry helps compensate for the subordinate role of Japan as an ally. From the Japanese perspective, this access and influence helps Japan cope with the enormous power the United States has over Japan, and thus adds legitimacy and stability to the relationship. Viewed from the perspective of the American state, this Japanese access is a weakness; viewed from the perspective of the American system, it is a strength.

Semi-sovereignty and partial great powers

A third major structural feature of the Western liberal order that distinguishes it from the realist image of states in anarchy is the distinctive status of Germany and Japan as semi-sovereign and partial great powers. Contrary to realist expectations, Germany and Japan both have ‘peace constitutions’ that were initially imposed by the United States and the Western allies after World War II, but which have come to be embraced by the German and Japanese publics as acceptable and even desirable features of their political systems. The structure of these states is highly eccentric for realist models, but these are integral and not incidental features of the Western political order.

Realist theories assume that the nature of the units making up the international system are sovereign and, to the extent they have sufficient capacity, they are great powers. Sovereignty as understood by realists is Westphalian sovereignty, and this means that states are accorded a set of rights and assume a set of responsibilities, the most important of which is the mutual recognition of each other’s autonomy and juridical equality. Moreover, Westphalian sovereignty is understood by realists to be one of the primary means by which the system of anarchical states is institutionalized, thus reinforcing the primacy of the state, the absence of hierarchy characteristic of anarchy, and providing a degree of regularity to anarchy. Central to realist theory is also the concept of the Great Power, the exclusive set of states that have sufficient capacity to secure themselves but also to exercise influence over surrounding smaller states and to affect the entire system. Integral to the realist notion of the great power is that such states possess a full range of instruments of

statecraft, most importantly a robust military establishment with which to make
good their claims to great power status and to influence the system. Together,
Westphalian sovereignty and the great power are enduring features of the realist
vision of anarchical society.

Two of the major states in the Western system, Germany and Japan, do not
follow the expected realist pattern, but rather are semi-sovereign and partial great
powers. It is widely noted that since World War II, Germany and Japan have been
‘ssemi-sovereign’ states. Such a label is partly misleading, but it is also essential to
capture their distinctive and eccentric character and roles. As the reconstruction
after 1945 progressed, Germany and Japan both sought to be accorded the full
panoply of rights and responsibilities of a Westphalian sovereign, and the United
States and the other Western states were forthcoming with this recognition as part of
their reconstruction and reintegration into the international system. However, it is
still appropriate to characterize these states as fundamentally semi-sovereign because
in return for sovereign recognition they accepted a role in international relations that
was self-constrained in major ways. They were able to gain juridical sovereignty only
because they were willing to eschew the full range of great power roles and activities.

At the heart of this odd configuration of juridical sovereignty and effective semi-
sovereignty have been two levels of structure: strong self-imposed constitutional
constraints and the integration of Germany and Japan in wider political, security,
and economic institutions. German and Japanese domestic political structures that
were created during occupation and reconstruction featured parliamentary democracy,
federalism, and an independent judiciary—and thus they were much more
similar to the liberal American state than the traditional and closed autocratic
state. These domestic structures facilitate binding linkages, transnational inter-
action, and political integration. These structures of constraint and the practice of
semi-sovereignty were anchored in a strong domestic consensus that traditional
autocracy and imperialism had catastrophic consequences that had to be avoided at
all costs.

The most important way in which Germany and Japan are eccentric states to the
realist model is that they are not playing the traditional role of great powers. Their
partial great power status is defined by the discrepancy between their power poten-
tial and power mobilization and between the breadth of foreign policy interests and
the underdevelopment of their policy instruments. As a product of the American
and Western occupations of Germany and Japan, both countries created ‘peace
constitutions’ that wrote into their basic law a foreign policy orientation that was

System, 1495–1975 (Lexington: The University Press of Kentucky, 1983); and Martin White, Power
Politics, edited by Hedley Bull and Carsten Holbraad (Manchester: Manchester University Press,
1978).
29 See Peter J. Katzenstein, Policy and Politics in West Germany: The Growth of a Semi-Sovereign State
30 On American and Western efforts to liberalize postwar German and Japanese political institutions,
see John Montgomery, Forced to Be Free: The Artificial Revolution in Germany and Japan (Chicago:
University of Chicago Press, 1957); Robert E. Ward and Sakamoto Yoshikazu (eds.), Democratizing
Japan: The Allied Occupation (University of Hawaii Press, 1987); and Tony Smith, America’s Mission:
The United States and the Worldwide Struggle for Democracy in the Twentieth Century (Princeton, NJ:
31 See Ian Buruma, The Wages of Guilt: Memories of War in Germany and Japan (New York: Meridian,
1995).
radically at variance with the requirements of great power status and activities. Most important was that these constitutions committed these states to purely defensive military orientations. A powerful expression of this self-restraint is that both Germany and Japan have voluntarily foregone the acquisition of nuclear weapons—the military instrument that more than any other has defined great powers during the last half century. In the postwar period, the international strategic environment has not allowed them to retreat into isolation or maintain neutrality. But their defensive military postures have not been autonomous, but rather have been elaborately and extensively integrated into multilateral arrangements. In addition to explicitly eschewing great power postures, German and Japanese constitutions contain a strong mandate for an activist foreign policy directed at maintaining international peace and building international institutions.

Although both Germany and Japan are semi-sovereign and partial great powers, there are important differences between them. Their regional contexts have imposed very different constraints and opportunities. Germany, sharing long contested land borders with many countries, has pursued its unique post-war role by integrating itself much more intensively militarily and economically with its neighbours. In contrast, insular Japan was alone in the Far East as a postwar liberal power and therefore its strategic binding with the rest of the system has been through the bilateral US–Japanese alliance. Furthermore, the Western reconstruction of Germany along liberal lines was much more intensive, while the early demands of the Cold War led the United States to less comprehensively reconfigure Japan. Partially as a result, German domestic political structures became more liberal and decentralized than Japan, where strong state capacity remained, particularly in the economic domain. Overall, German integration into the Western political order is much more complete than Japanese integration, both in multilateral economic and security systems. One expression of this difference is that German rearmament has been more extensive than Japanese because Germany is more thoroughly bound into the Western order than Japan.

The existence of Germany and Japan as semi-sovereign and partial great powers constitutes a fundamental anomaly for realist theory. The features of these states are not, however, incidental but are integral to the Western political order. The widely held realist expectation that Germany and Japan will revert back to great power status poses a test for these competing theories: should this pattern eccentric to realism persist, that the explanatory utility of realism will have been compromised. Conversely, should Germany and Japan return to the normal realist pattern, the Western political order is not likely to endure—and if it does, the theory of structural liberalism will be called into question.

**Economic openness**

It is widely recognized that a major feature of the Western order is the prevalence of capitalist economies and international institutions dedicated to economic openness. Neo-realist theories offer two powerful explanations for the Western liberal economic order, one stressing American hegemony and the other Western alliance within bipolarity. Liberals also offer many explanations, including the rise of
‘embedded liberalism’ among the advanced industrial nations. While offering important insights, these theories are insufficient and miss two crucial dimensions of the liberal economic order. First, advanced capitalism creates such high prospects for absolute gains that states attempt to mitigate anarchy between themselves so as to avoid the need to pursue relative gains. Second, liberal states have pursued economic openness for political ends, using free trade as an instrument to alter and maintain the preferences and features of other states that are politically and strategically congenial.

One powerful realist explanation for the prevalence of open economies in the Western order is hegemonic stability theory.32 These realists argue that open international orders are created and sustained by the concentration of power in one state. Hegemonic powers establish and enforce rules, provide exchange currency, absorb exports, and wield incentives and inducements to encourage other states to remain open. Hegemonic stability theorists argue that economic openness in the 19th century was made possible by British hegemony and that when British power waned in the first decades of the 20th century, the open trading system broke down. After the second World War, the United States, then at the peak of its relative power, provided the leadership to establish Western liberal economic institutions, thereby catalyzing another era of economic openness and high growth.33 Hegemonic stability theorists maintain that the relative economic decline of the United States threatens to undermine these arrangements. Because of bipolarity and American leadership in the Cold War, the effects of American relative decline have not been fully registered, but the expectation is that the system will decay after the Cold War.

Another realist argument is that free trade has resulted from bipolarity and the Western strategic alliance.34 In this view, allied states are less concerned with relative gains considerations than unallied states. Allied states are not as sensitive to relative shifts in economic advance that might result from free trade. Similarly, realist theorists argue that military allies see relative gains by each other as adding to the overall strength of the alliance. With the decline of bipolarity and the diminished importance of strategic alliances after the Cold War, the expectation of these realist theories is that the free trade order will come under increasing stress.

Liberals also advance powerful arguments about the sources of open economies. In particular, the ‘embedded liberalism’ argument holds that liberal states in the 20th century have committed themselves to ambitious goals of social welfare and economic stability, which in turn requires them to pursue foreign economic policies that maintain a congenial international environment for the realization of these

goals. This argument situates the preference for open economic policies in the domestic structures of advanced industrial societies. As long as Western welfare states retain their commitment to high employment and social welfare, the theory expects that they will remain committed to liberal foreign economic policies.

These realist and liberal arguments contain important insights, but they neglect two important sources of Western economic openness. Neorealists rightly insist that states in anarchy must be more concerned with relative than absolute gains, and therefore are willing to forego the absolute gains that often derive from economic exchange out of fear that their relative position will suffer. The relative and absolute gains argument is typically seen as a powerful reason why states will not accept economic openness. In reality, however, it suggests a powerful explanation for why states will take steps to mitigate anarchy. In a world of advanced industrial capitalist states, the absolute gains to be derived from economic openness are so substantial that states have the strong incentive to abridge anarchy so that they do not have to be preoccupied with relative gains considerations at the expense of absolute gains. The assumption of the neorealist argument is that the only alternative to anarchy is hierarchy, but in fact liberal states have developed co-binding institutions and practices that make it possible to moderate anarchy without producing hierarchy. The extensive institutions that liberal states have built can be explained as the mechanisms by which they have sought to avoid the need to forego absolute gains in order to pursue relative gains.

Three other features of advanced industrial capitalism also have significant implications for the politics of relative and absolute gains. First, modern industrial economies are characterized by great complexity and this means that states attempting to calculate the relative gains consequences of any particular policy face a high degree of uncertainty. In highly dynamic markets with large numbers of sophisticated, fast-moving, and autonomous corporate actors, it is very difficult to anticipate the distribution of gains and losses. Second, the rate of change in advanced industrial capitalism is so great that the distribution of relative gains and losses is likely to fluctuate between countries fairly rapidly. Thus, even if one country can foresee that it will be a loser in a particular period, it can assume that it will experience a different outcome in successive iterations. Finally, modern industrial capitalist societies are multi-sectoral, and different sectors in one country may be simultaneously declining and rising as a result of international openness, making it difficult for governments to calculate their aggregate relative gains and losses. The


36 Conversely, if states abandon their commitment to the welfare state then this motivation for their support of a liberal economic system would decline. Or structural changes in the international economy might be less congenial to domestic welfare commitments, in which case states would also pull back from the pursuit of open foreign economic policies. In either case, the liberal order would become ‘disembedded’ and much less robust.


38 An example of this phenomenon is the high technology sectors. In the late 1980s, Germany and Japan were leading the United States in many areas, but more recently this pattern has been reversed.
multi-sectoral character of these societies helps insure that the pattern of relative gains and losses will be highly variegated making it unlikely that any one state will be a loser or winner across the board.\(^3\)

Western states also have political reasons to maintain an open economic order: free trade can spread and strengthen liberal democracy. The expansion of capitalism that free trade stimulates tends to alter the preferences and character of other states in a liberal and democratic direction, thus producing a more strategically and politically hospitable system. The collapse of the world economy in the Great Depression and the political turmoil it produced contributed to the retreat of democracy and liberalism in the 1930s, the rise of fascist and imperialist states, the emergence of rival economic blocs, and ultimately the second World War. In reaction to these upheavals, the principal architects of the post-World War II liberal order employed economic openness as a strategy to avoid regional blocs, trade wars, illiberal regimes, and ruinous imperial rivalry.\(^4\) The architects of the liberal system perceived that a world populated by liberal states would be much more compatible with American interests and the survival of democracy and capitalism in the United States.\(^5\) This proposition suggests that liberal economic order is not fundamentally dependent on bipolarity and American hegemony, but rather has a powerful independent source that is unlikely to be affected by the end of the Cold War.

**Civic identity**

The fifth dimension of the Western political order is a common civic identity. Although difficult to quantify, what Montesquieu called ‘spirit’ is an essential component of any political order. The West’s ‘spirit’—common norms, public mores, and political identities—gives this political order cohesiveness and solidarity. Throughout the Western world, there is an overwhelming consensus in favour of political democracy, market economics, ethnic toleration, and personal freedom. The political spectrum throughout the West looks increasingly like the narrow ‘liberal’ one that Louis Hartz once identified as distinctively American.\(^6\) Compared to the diversity that characterized Europe as recently as the 1930s, the convergence of political practices and identities within the countries of the West is an important feature whose causes and consequences require explanation.

Realist approaches to international theory largely assume that the separate state units have distinct national identities. Realists emphasize that national identity provides states with legitimacy and serves as a basis for the mobilization of resources against outside threats. For realism, the experience of inter-state war serves as an

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41 See G. John Ikenberry, ‘Liberal Hegemony: The Logic and Future of America’s Postwar Order’.

important source of national identity and loyalty because it provides the most potent and emotive symbolism of heroism, battlefield sacrifice, and collective memory of opposition and triumph.\textsuperscript{43} Military organizations provide one of the most powerful means of socializing individuals into patriotism and veterans organizations constitute a major interest group that reinforces the primacy of the nation-state. For realism, these sociological processes are a crucial link between international anarchy and inter-state war and the prevalence of the nation-state as a unit in the international system.

No enduring political order can exist without a substantial sense of community and shared identity. Political identity and community and political structure are mutually dependent. Structures that work and endure do so because they are congruent with identities and forms of community that provide them with legitimacy. Conversely, structures and institutions create and reinforce identities and community through processes of socialization and assimilation. These important sociological dimensions of political orders have been neglected by both neorealist and neoliberal theories, which take the preferences of the actors as given and examine only the interaction between interests and structure. As a result, they miss the identity and community dimensions of political order—both the national and the liberal civic alternatives.

An essential component of the Western political order is a widespread civic identity that is distinct from national, ethnic, and religious identities. At the core of the Western civic identity is a consensus around a set of norms and principles, most importantly political democracy, constitutional government, individual rights, private property-based economic systems, and toleration of diversity in non-civic areas of ethnicity and religion. Throughout the West, the dominant form of political identity is based on a set of abstract and juridical rights and responsibilities which coexist with private and semi-public ethnic and religious associations. Just as warring states and nationalism reinforce each other, so too do Western civic identity and Western political structures and institutions reinforce each other.

The West’s common civic identity is intimately associated with capitalism, and its business and commodity cultures. As Susan Strange argues, capitalism has generated a distinctive ‘business civilization’.\textsuperscript{44} Across the advanced industrial world, capitalism has produced a culture of market rationality that permeates all aspects of life. The intensity and volume of market transactions across the industrial capitalist world provides a strong incentive for individual behaviours and corporate practices to converge. One strong manifestation of this convergence is the widespread use of English as the language of the market place. Likewise, the universality of business attire across the industrial capitalist world signifies this common business culture.

Another cultural dimension of the Western order is the commonality of commodities and consumption practices. Through the advanced industrial world, mass produced and market commodities have produced a universal vernacular culture that reaches into every aspect of daily existence. The symbolic content of day-to-day life throughout the West is centred not upon religious or national iconography, but upon the images of commercial advertising. The ubiquitously displayed images of the good life are thoroughly consumerist. The demands of mass marketing and


\textsuperscript{44} See Susan Strange, \textit{States and Markets} (New York: Blackwell, 1988).
advertising place a premium on reaching the largest number of purchasers, and so it contributes to the homogenization of identities and the avoidance of polarizing ethnic or religious or racial traits. Further defining popular culture throughout the West is mass entertainment, particularly television, movies, music, and athletic events. Because of increased incomes and cheap transportation, international tourism has become a mass phenomenon. The cumulative effect of this symbolic and popular culture and interaction is to create similar life styles and values throughout the West.45

Another contributor to the commonality of identities in the West is the widespread circulation of elites and educational exchange. The advanced industrial countries contain many transnational networks based on professional and vocational specialization. Enabled by cheap air transportation and telecommunications, scientific, technological, medical, artistic, athletic, public policy networks draw membership from across the Western world and have frequent conferences and events. Also significant is the great increase in the volume of international education activities, most notably the increasingly transnational character of the study bodies in elite universities and particularly graduate professional schools. These developments have produced a business, political, cultural, and technical elite with similar educational backgrounds and extensive networks of personal friendships and contacts. The cumulative weight of these international homogenizing and interacting forces has been to create an increasingly common identity and culture—a powerful sense that ‘we’ constitutes more than the traditional community of the nation-state.

As civic and capitalist identities have strengthened, ethnic and national identity has declined. Although it is still customary to speak of the West as being constituted by nation-states, the political identity of Westerners is no longer exclusively centred on nationalism. The West has evolved a distinctive solution to the problem of nationalism and ethnicity that is vital to its operation and inadequately recognized by realists. The Western synthesis has two related features. First, ethnic and national identity has been muted and diluted to the point where it tends to be semi-private in character. Although not as homogeneous as anticipated by cosmopolitan philosophers of the Enlightenment, the identities of Westerners are largely secular and modern, thus allowing for many different loyalties and sensibilities—no one of which predominates. Second, an ethic of toleration is a strong and essential part of Western political culture. This ethic permits—and even celebrates—a highly pluralist society in which muted differences co-exist, intermingle, and cross fertilize each other. Unlike the chauvinism and parochialism of pre-modern and non-Western societies, an ethic of toleration, diversity, and indifference infuses the industrial democracies.

Many realists forecast that nationalist and ethnic identity will reassert itself in Western Europe in the wake of the Cold War, fuelling conflict and destroying liberal democratic society. The virulence of ethnic conflict in the Balkans and elsewhere in former communist lands has revived the spectre of the worst of Europe's past. The increase in anti-immigrant violence in Western Europe, particularly in Germany, demonstrates that the West in not immune to a new epidemic of ethnic violence and national war. The opponents of liberal pluralism are a loud but small minority of

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45 For an analysis of global cultural formations, see Mike Featherstone (ed.), *Global Culture* (Newbury Park: Sage, 1990).
the alienated and economically dislocated. Their voices are not, however, a cause for a crisis of self-confidence. The ethos of the West remains overwhelmingly tolerant and receptive to diversity. Indeed, the anti-foreigner violence and ethnic ferment have been most revealing in the magnitude of the condemnation they have evoked. Measured by the standards of the past—even the recent past of the 1930s—these episodes are marginal and highlight the strong majorities committed to a liberal civic order.

Contrary to the dominant neorealist and neoliberal theories, identity and community are important components of political order. Identities are not primordial or immutable, but are the product of social, economic, and political forces operating in specific historical contexts. The liberal political order is strengthened by and in turn strengthens the distinctive liberal civic identity. The continued viability and expansion of capitalism, made possible by liberal multilateral institutions, sustains the business, commodity, and transnational cultures that in turn make it more politically feasible to sustain these institutions. Similarly, the success of security co-binding practices in preserving peace among liberal states reinforces political community by allowing memories of war, traditionally generative of conflicting national identities, to fade into an increasingly remote past. While the Cold War and the construction of a ‘free world’ identity contributed to political solidarity and helped marginalize memories of international conflict among these countries (just as bipolarity contributed to Western institutional development), there are reasons to believe that the sources of civic identity are not likely to be diminished by the end of the Cold War.

Conclusion

A principle implication of our argument for international relations theory is that realist theories of balance of power, hegemony, sovereignty, and nationalism fail to capture the core dynamics of the liberal international order. This order has five distinctive and important components that together constitute structural liberalism: security co-binding, penetrated hegemony, semi-sovereignty and partial great powers, economic openness, and civic identity and community. The overall liberal political order is a complex composite in which these elements interact and mutually reinforce each other. It is the overall pattern of these elements and their interaction that constitute the structure of the liberal political order; the whole is greater than the sum of the parts. Any understanding of the liberal order that fails to bring in all of these components will fail to capture its structural character.

As realists point out, American hegemony and the bipolar balance helped give form and cohesion to this order. But because American hegemony is penetrated, it is more mutual and reciprocal than in realist formulations. Likewise, co-binding institutions and practices are a distinctive and independent response to the problem of anarchy among liberal states and not something derivative of bipolar balancing. Overall, the democratic industrial world exhibits patterns of political order that lie between traditional images of domestic and international politics, thus creating an unusual and distinctive subsystem in world politics.
Although there is good reason to believe that this liberal order has a very robust character, the fact that neither realism nor liberalism captures it very well is revealing of their theoretical limitations but also troubling in its implications for the maintenance of this system. Because of the Cold War, it is understandable that realpolitik approaches overshadowed liberal ones in policy discourse and practice as well as in academic international relations theory. The hegemonic status of realism has marginalized and displaced the earlier American approaches to international affairs that were more pragmatic and more liberal. The realist characterization of liberalism as idealist and utopian belies its ‘realistic’ sophistication and the extent to which the postwar order was created as a response to the earlier failures of both Wilsonian internationalism and the extreme realism of the inter-war period (and its economic blocs, mercantilism, hyper-nationalism, and imperialism). With the end of the Cold War, the persistence of realism as a dominant approach to international affairs has real consequences because of its limited understanding of the Western political order and its inability to provide policy tools for operating within it. Policy agendas derived from realism could also become self-fulfilling prophecies and gradually undermine the Western order, particularly if those agendas include the conversion of Germany and Japan back into ‘normal’ great powers. With the end of the Cold War, it is necessary to recover the theory and practice of structural liberalism so as to chart policy within the Western order.

Liberal theory has also failed to adequately grasp the liberal international system. The preoccupation of many liberals with building global institutions with universal scope, such as the United Nations, has ironically diverted their attention from understanding and building the liberal order within the West. Similarly, liberal international relations theory is not well situated to understand the Western order because of its lack of cumulation and sense of itself as a long tradition with significant historical accomplishments. Liberal theory’s conceptual focus on process over structure and ‘micro’ over ‘macro’ also contributes to its inappropriate theoretical gauge. Also contributing to liberalism’s limitations are the deference that it gives realism on security issues and its related focus on ‘low politics’ rather than ‘high politics’. Liberal theory is very heterogeneous and it does capture various components of the liberal international order, such as the democratic peace, but it fails to appreciate its distinctive history, architecture, and structure. Given the success of the liberal international subsystem and its centrality within the larger world system, a liberal international relations theory refocused on structure can lay claim to at least equality with realism.

If structural liberalism does capture the logic of the Western political order, than this suggests that the solidarity, cohesion, and cooperation of these countries will outlast the rise and fall of external threats. At the same time, no political order arises purely spontaneously and no political order endures without practices and programmes based on an accurate understanding of its nature. In the post-Cold War era, the absence of bipolarity and the waning of American hegemony does remove forces that have contributed to the liberal order. Therefore, to sustain this order it is worthwhile to think about what might constitute a more self-conscious and robust liberal statecraft. A central task of such a liberal statecraft is the formulation of an agenda of principles and policies that serve to strengthen, deepen, and codify the liberal political order.