

David A. Lake, "International Economic Structures and American Foreign Economic Policy, 1887-1934," *World Politics* 35:4 (July 1983), 517-43.

- I. Introduction -- between 1887 and 1934, the US evolved from a highly protectionist into an internationally liberal country. This article is an attempt to explain this evolution not in terms of domestic changes, but rather in terms of the changing position of the US in the world economy.
- II. A Revised Version of Hegemonic Stability Theory
 - A. Up to this point (1983), there have been two versions of hegemonic stability theory:
 1. Kindelberger emphasizes the role of the hegemon in stabilizing markets, apparently out of altruism. Only "large" states have the capacity to play this role.
 2. In contrast, Gilpin proposes an interest-based version of hegemonic leadership. For Gilpin, a hegemonic leader is not only powerful but also highly efficient in economic terms, giving it a vested interest in the maintenance of a liberal economic order. In addition to the hegemon, there are "growth nodes" that may challenge the liberal order, and small countries that free-ride. Lake refers to these three categories of states as leaders, spoilers, and free-riders.
 - B. Lake proposes adding a fourth kind of state to the theory -- supporters. These are states of high relative productivity that cannot unilaterally lead efforts to maintain a liberal world economy. In contrast to the hegemon, these states will not accept high short-term costs for long-term gains; instead, they seek to balance short-term costs and benefits. When there is a hegemon, supporters will free ride. When there is no hegemon but more than one supporter, supporters will tend to constrain protectionism in each other since they desire access to each others markets (due to their high productivity they value exports more than they value protection against imports, but not as much as a hegemon). The result will be a somewhat less open system, but not as closed as if there was only one supporter. When there is only one supporter, the system will be highly unstable and will tend toward protectionism.
 - C. Lake categorizes countries into these categories based on share of world trade and relative productivity. In the study here, he classifies countries with less than 5 percent of world trade as free-riders no matter what. Countries with more than 5 percent of world trade, but less than 10 in terms of relative productivity are spoilers. Countries with between 5 and 15 percent of world trade are supporters if their relative productivity exceeds 10. Countries with more than 15 percent of world trade and relative productivity of more than 10 are hegemonic leaders. (Note: In addition to seeming arbitrary, this classification system allows for the existence of more than one hegemon -- how do we know that he did not pick these criteria and these values to explain behavior the way he wanted?)
- III. How well does American foreign economic policy between 1887 and 1934 conform to the predictions made by Lake's revision of hegemonic stability theory?
 - A. 1887-97: US was a supporter and the UK a hegemon. As predicted, the US free-rode under UK hegemony.
 - B. 1897-1912: UK still classified as a hegemon (though its economic preeminence is fading), and the US is still classified as a supporter. The US adopted more liberal policies in accordance with its growing interest in exports (e.g. Open Door in China) but continued

to free-ride. The US was not willing to enforce the Open Door or to resist the temptation to protect US industry. The theory has no problems here, in Lake's view.

- C. 1913-1929: Both the US and the UK become "supporters" in the classification system. As expected, protectionism increases with the fading of UK hegemony, but the system remains somewhat open. In general, this appears to accord with the theory's predictions. However, Lake notes that US tariffs were higher in the 1920s than one would expect under a dual supporter system.
- D. 1930-1934: The US becomes the sole supporter in the system as Britain moves into the spoiler category. Protectionism runs amok, but not as predicted by the theory. Specifically, tariffs were first raised in the US in 1930 (Smoot-Hawley), and then in Europe in response. The theory predicts that the supporter will protect markets in response to closure elsewhere, not initially. The passage of the Reciprocal Trade Agreements Act in the US does make sense for a supporter though -- openness at home is made contingent on openness abroad.

IV. Conclusions

- A. Lake argues that his theory is relatively well supported by the data presented here, with the exception of the qualifications mentioned in the two latter periods. These two deviations may be explained with reference to domestic politics. In particular, the US enacted higher tariffs in 1922 and 1930 (the Fordney-McCumber and Smoot-Hawley tariffs, respectively) through log-rolling processes when Republicans were in power (back when they were protectionist). Still Lake suggests that the more dramatic closure in 1930 was due to Britain's fading from supporter status to free-rider, leaving the US less constrained in 1930 to raise tariffs.
- B. I think Lake might also have usefully explored the usefulness of the lag explanation that Krasner used in his 1976 article. The US was a relatively irresponsible supporter in 1922 and 1930 -- to what extent was this due to lagging appreciation of the importance of US leadership? In contrast, Britain did not raise tariffs until after the US did in 1930 despite being much, much closer than the US to spoiler status at that time (as Lake defines it). To what extent did the UK's traditional hegemonic mindset contribute to this?