
Tensions in Hegemonic Stability and International Economic Governance

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Résumé

The stability of any liberal international order has depended on the role of a hegemon in underwriting the institutions which support the system. The domestic stability of the hegemon is therefore critical to the stability of any "embedded liberal" international order. The implication is that the hegemon must be given special attention to when studying the present and future states of the global political economy. This paper identifies multiple tensions or paradoxes associated with hegemony and global economic governance. The first is that, because the domestic stability of the hegemon is critical to the stability of global economic governance institutions, the hegemon must have robust domestic social protection mechanisms which help maintain domestic political support for an embedded international liberal order. On the other hand, because of the burden of military expenditure carried by the hegemon to carry out its role as a global security guarantor, it carries a high fiscal burden. The second is more fundamental. The hegemon is typically the economically dominant actor in the global economy; which means that it also has the greatest amount of accumulated capital, making it a headquarters for international capital. The implication is that it is most vulnerable to financialization, corporate demands for lower taxes, and willingness to sacrifice "unproductive" social spending for the sake of austere government finances. This creates a fundamental tension between the necessity of robust domestic social spending to stabilize the hegemonic society for the sake of international stability, and the influence of big capital in undermining such arrangements. The last tension is between the hegemon and the rise of newly industrializing economies from the developing world. The rise of large new industrial powers making the use of industrial policy, to directly compete with the hegemon creates significant economic turbulence within the hegemon which can easily lead to the hegemon modifying (and destabilizing) global institutions of economic governance to ease its domestic tensions at the cost of other countries, especially those in the developing world. All these tensions are perpetual; meaning that as long as hegemony is necessary for international political stability, they will be present. However, within future international arrangements, some mitigants could be embedded. The burden of international security spending could be shared between allied major powers. An independent international reserve currency should be created. It also must be consciously encouraged of the hegemon to institutionalize mechanisms for social protection, as a concomitant responsibility of hegemony. Complementary to this, such institutions should be systematically defended by trade unions to ensure their resilience in the face of economic crises. Lastly, export-led industrializers should, at some point, actively develop mechanisms for fostering internal integration and wage-led development; while the hegemon needs domestic mechanisms for easing occupational and social mobility and non-protectionist industrial renewal so that international structural change would experience less politico-economic friction.

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