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Gaining from Decline?

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America's Global Advantage: US Hegemony and International Cooperation. By Carla Norrlof. Cambridge: Cambridge University Press, 2010. 286 pp., $32.99 paperback (ISBN-13: 978-0-521-74938-1).

At a time when it is common to predict US decline, this book concludes that America will bounce back and preserve its unique position for years to come. While the prevailing wisdom claims that the United States is suffering from huge trade deficits, a weakening currency, and military overstretch, this book systematically examines each of these areas and concludes that, if anything, the US position will actually strengthen as a result of these perceived weaknesses.

The misguided nature of claims of US decline is in part due to a false belief that the United States acts out of benevolence to support an international system where others benefit more than it does. Carla Norrlof argues that in fact the United States does not act out of altruism, and it benefits disproportionately from its role of supporting markets, supplying the world's reserve currency and being the most dominant military power. US hegemony is under no immediate threat. Links between trade, money, and security show continuing stability rather than decline.

Theorists of decline point to huge US deficits. Norloff responds with the puzzle that if it is the case that we should avoid deficit policy, why has the United States followed this line for 40 years? Her answer is that the United States can do so because of its "multi-purpose power base" (p.5). It receives more than what it pays for the public good it provides and gets higher returns than other states in trade, money, and security. Although it runs persistent trade deficits, its position in the international system allows it to benefit from this. It is therefore quite wrong to think that the provision of public goods by the United States comes at a cost to itself. It is the United States that gains disproportionately from having the world's reserve currency, enjoying military supremacy, and supplying a large open market. Enjoying military supremacy brings with it monetary and trade advantages. Military might gives greater opportunities for commercial expansion. Having the world's reserve currency also brings economic advantage and disproportionate gains. Superior commercial power gives the US financial supremacy and additional policy flexibility.

Norrlof's theoretical framework is shaped by a critical engagement with hegemonic stability theory. In adopting this approach, she treats states as rational actors that seek to maximize their gains and minimize losses. Having the largest domestic economy, world currency, and strongest military gives the United States structural and positional advantage that gives it the ability to shape economic institutions so it can gain disproportionately from economic interactions. As she says, "the international economy is a system of asymmetrical cooperation in which the United States has an advantaged position and enjoys disproportionate gains as a result" (p. 7). While all states may gain through cooperation, when we

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examine how these gains are allocated among states, it is clear that the United States gains most.

This goes against those who think that the small benefit at the expense of the large. Not only can hegemonic stability theory be used to challenge the belief in a benevolent hegemon, but also it can show how the United States benefits disproportionately by using its power and special position to extract unequal gains. Norrlof models how cooperation works under US hegemony and how the hegemon is able to benefit disproportionately through its provision of public goods by using a revised version of Duncan Snidal's (1985) model to consider gains allocation. Snidal and Keohane (1984), she argues, are right to challenge the view that a decline in the hegemon's power will lead to the reduced provision of public goods. The neorealists are more correct in assuming that the dominant state is better positioned to gain more than other states. This continues, indeed it may do so even more, even as the hegemon's power declines.

As well as arguing the benefits that the hegemon continues to receive, the book also stresses the difficulties challengers face in overcoming US hegemony. There would need to be concerted collective action to displace the United States from its dominant role. High transaction costs and other barriers currently prevent states from collaborating in order to do this. For example, a challenge to US power would require the ousting of the dollar as key currency, the development of new product and capital markets in East Asia—the region that finances the US current account deficit—and the development of plausible security alternatives for East Asia and Europe. All of these are highly unlikely at present. In Asia, greater economic integration is necessary if the region is to maximize its bargaining power, but this is currently unthinkable given the unwillingness of Asian nations to pool sovereignty. China, although now the largest regional economy, is hugely dependent on foreign investment and lacking anything like the kind of global influence the United States now has.

Similar weaknesses exist in Europe. Despite the European Union and euro, there remain significant problems in organizing coordinated action among the European economies, something that will continue especially because the UK is unlikely to enter the euro zone. Consequently, the United States can still respond much more quickly than Europe to economic shocks as the most recent economic crisis has shown. Norrlof concludes therefore that there is no viable alternative to the United States right now, that neither China, the European Union, nor Japan is capable of maintaining the current system of economic and political liberalism, and that attempts by rivals in Asia to sell off US assets would unleash a recession that would hit all parts of the world, creating a depression that would last until a new leader was able to emerge.

Part of this book's strength lies in its ability to link economic advantage to military power. US military power allows it to create alliances with partners who then have an interest in maintaining US hegemony. This has allowed the United States not only to deter attacks and control Japan and the European powers, but also to maintain its economic interests. Norrlof develops her own data based on COW to show that there is a strong correspondence between US military successes and increased financial flows into the United States. The United States collects what she calls a security premium—that is, the economic benefits resulting from dominant power status. This makes the US market attractive to investors who see it as safe, but it also helps the US abroad. The ability to protect investments allows the US low-cost borrowing and risky high-yield overseas investments. Military interventions can be used, if necessary, to help protect business interests.

Security considerations also help extend the influence of the dollar, which in turn keeps US investment and consumption high. People are more prepared to hold dollars than would otherwise be the case because of its key currency status,

ease of use, and lower transaction costs. The end of the dollar's status would end the US ability to draw in goods and capital at low cost. It would also mean that US banks would no longer benefit from the structure of international lending. But at present, it is the United States that calls the shots by being able to threaten to restrict access to the US market and exclude others from trade arrangements. Other states have neither incentives nor the capacity to organize an alternative. Their military reliance on the United States means they lack the autonomy to pursue their own interests. The current order is mutually beneficial insofar as everyone benefits from cooperation, though not equally. The hegemon continues to benefit more through gains distribution and its ability to threaten the sharing of benefits. The United States may be losing the power of initiative, but it perhaps benefits even more now from gains shifting.

All these are very persuasive arguments. As well as appealing to mainstream theorists, they should also appeal to those, like this reviewer, who agree with more critical approaches. On this matter, Norrlof writes that when looking at various theories of trade, she leaves out class-based theories like WST because they do not fit with mainstream economic theory, although some of their critiques are similar (p. 9). The main problem lies with the rational actor assumption. But the book is not heavy on formal models, and one can accept many of the assumptions about state behavior without necessarily buying into the rational-actor model. Perhaps the one thing most absent from a more critical perspective is an emphasis on the more ideological aspects of US hegemony—of course something that is currently under considerable strain following the Bush years. The argument is also a little trade-centric, with less discussion of issues surrounding resource allocation (for an important recent critical approach, see Stokes and Raphael 2010). But any book that can convincingly argue the link between military power and economic dominance is more than welcome.

References

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