



## **Introduction to International Relations**

Chapter Notes: Chapter 7

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### **Chapter Seven:**

#### **How the West Became Rich**

#### **Chapter Overview**

Chapter 7 introduces students to economic history, using the perspectives to parse out explanations for the West's economic dominance over the past half millennium. The identity perspectives, for example, places emphasis on ideational factors like the Renaissance, the Reformation, and the Enlightenment. The West, which pioneered these movements, has subsequently benefited from scientific, technological, and commercial achievements that have lent themselves to economic advancement. Realists, on the other hand, view these ideational factors as secondary to issues of demography, geography, and the decentralized distribution of power in the West. Europe's favorable terrain and its competitive political system gave it the advantage over the rest of the world, allowing it to expand and develop. Liberal perspectives, finally, emphasize technological achievement, institutional innovations, and specialization when explaining the West's ascendancy. These factors all serve to increase efficiency, thereby fostering rapid economic growth and development.

#### **Realist Explanations**

- For realists, the security situations most favorable for trade and economic activities are alliances and hegemony.
- Mercantilism in the sixteenth through eighteenth centuries was replaced by the Pax Britannica, when England created the first genuine world economy.
- Pax Britannica upholds the hegemonic stability theory, which claims that a hegemonic power is necessary to support a highly integrated world economy.
- Pax Britannica was succeeded by the interwar period, during which nations fell back into mercantilist practices.
- Following World War II, the United States emerged as a hegemonic power, leading to the Pax Americana.
- During this period, the Bretton Woods agreements united the world economy, fixed exchange rates, and encouraged the growth of multilateral trade liberalization.

## **Liberal Explanations**

- The Industrial Revolution produced many new inventions (steam engine, cotton gin) that vastly increased productivity.
- Additionally, new forms of transportation (train, steam ship) and communication (telegraph, telephone) gave freedom to production and trade.
- Starting in the 1820s, England began to unilaterally liberalize tariffs on imports.
- England also moved to the gold standard, providing a stable source of financing.
- These new trade and financing rules produced greater and more widespread prosperity than ever before.
- The chaos of the interwar economy created need for strong international institutions; hence, Bretton Woods.
- Bretton Woods conference created GATT (trade), IMF (financing), and IBRD, which later became the World Bank (development).

## **Identity Explanations**

- Protestant Ethic—According to Max Weber, Protestantism made capitalism acceptable.
- Economic liberalism—Involved equality of parties in a relationship and a marketplace of free and competitive exchange.
- Keynesian economics—called for government intervention to stimulate growth and protect imports.
- Chicago School—called for limited government spending and taxation and reduced tariffs. This approach was favored by the United States.

## **Thought Questions**

1. Do mercantilist economic policies have any place in the world today? Where have they taken hold and why?
2. Which perspective offers the most convincing explanation for the West's economic dominance? Which offers the least convincing explanation?
3. What evidence supports Weber's thesis of the Protestant work ethic? What evidence undermines it?
4. Do you agree with the claim of hegemonic stability theory that the world economy will peak under unipolar systems? Why or why not?
5. Regarding the debate between the followers of Hayek and Keynes, where do you fall? What role ought the state play in reducing unemployment?