

# Keohane and Nye, *Power and Interdependence*

## Chapter 4

### THE POLITICS OF OCEANS AND MONEY: HISTORICAL OVERVIEW

Keohane and Nye choose the "issue areas" of monetary affairs and oceans space and resources to "test the applicability of our models of regime change under changing political and economic conditions" (64). In chapter 4 they describe major events in these two areas between 1920 and 1975, emphasizing changes.

They define "issues" as "problems about which policymakers are concerned, and which they believe are relevant to public policy. Thus a policy issue is partly subjective". Issue areas, which are also defined subjectively, are constituted when governments see a "set of issues as closely interdependent, and deal with them collectively". This is a "statement about actors' beliefs and behavior" not the reality of the problems themselves.

The discussion begins with the perceptions of the boundaries of a policy issue area.

### The International Monetary Issue Area

#### I. *The International Gold Standard before 1914*

The "myth" of the pre-WW1 Gold Standard was that it was an "eternal, automatic, stable, and fair system, which could be damaged only if tampered with by politicians". In reality it was short-lived (50 years), managed with national orientations, and highly subject to change: the trends away from the hierarchy were intensified but by no means created by WW1. "It rested on political domination of the wealthy classes in Britain over less prosperous groups and of Britain, France and Germany over peripheral countries".

However, in later years, the myth was in many ways more powerful in its effects on behavior than the reality.

#### II. *International Monetary Regimes, 1920-76*

Keohane and Nye divide these years, at the risk of disrupting the flow of history, into seven periods. Regime periods are defined in terms of the key currency countries - Great Britain until 1931 and the US thereafter. Each period is described in terms of the adherence to the norms and rules that characterized each period, and the reasons for choosing the beginning and endpoints of each regime.

<i>Period</i>	<i>Regime situation</i>	<i>Action at beginning</i>
1. 1920-5	<i>Nonregime:</i> floating rates, currency depreciation	<i>post-war instability</i>
2. 1925-31	<i>International regime (de facto):</i> weak polit'y & econ'y, focused on £-\$	<i>Britain's return to gold</i>
3. 1931-45	<i>Nonregime</i>	<i>Britain leaves gold-standard</i>

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|------------|--|--------------------------------------|
|            | floating rates, currency depreciation, exchange controls   |                                      |
| 4. 1946-58 | <i>Recovery Regime</i>   | <i>Bretton Woods operational</i>     |
|            | internationally agreed on-system, permits ad hoc modifications;<br>exchange controls, inconvertibility of Euro currencies                                  |                                      |
| 5. 1959-71 | <i>International Regime</i>  | <i>Euro currencies convertible</i>   |
|            | fixed but adjustable parities; \$ convertible into gold  |                                      |
| 6. 1971-5  | <i>Nonregime</i>   | <i>US \$ inconvertible into gold</i> |
|            | no stable set of rules - but partial period of fixed currencies,<br>and increased central-bank coordination at the end                                     |                                      |
| 7. 1976-   | <i>International regime</i>  | <i>Interim Committee amends</i>      |
|            | <b>based on flexible exchange rates &amp; SDRS, IMF Articles of Agreement</b><br>with central bank and governmental coordination of exchange rate policies |                                      |

It is worth noting that the Bretton Woods agreement went through a continual process of political and institutional as well as financial adaptation, contrasting with the rigidity of currency values that member states sought to maintain. Its gradual erosion is symptomatic of how international regimes do not usually start or stop with a given date.

## The Ocean Issues Area

The peacetime use and regulation of oceans space and resources. Two major dimensions:

1. nature and extent of states' jurisdiction over the oceans adjoining their coasts
  2. ownership, use, and regulation of space and resources beyond national jurisdiction
- Area includes both "physical" relationships and "political" ones. Geography provides the oceans issue with fairly well demarcated boundaries.

The issues area consists of weakly related issues: some are linked functionally, but political and legal perceptions provide the more important linkages stemming from legal structures and bargaining tactics.

### I. *The Classical Free Seas Regime*

The high seas were treated as non-appropriable *res nullius* and coastal state jurisdiction claims were narrowly restricted. The pre-1914 oceans regime was hierarchical and stable, and depended on British domination externally and on the strong position of certain interests inside British politics (Navy and shipping).

### II. *Regime Periods, 1920-75*

1. **1920-45: Free seas regime** - Britain retained hegemonic power but with concessions to US

2. **1946-66: Strong quasi regime** - Truman Declaration sowed the seeds inadvertently of regime destruction by establishing unilateral fishing conservation zones off the US. Challenges in particular issues; Britain losing power through decolonization

3. **1967- : Weak quasi regime** - seabed resource and wealth dramatized so that the oceans have been treated less as a public highway from whose efficient management all states can gain, but more like a zero-sum game. Narrow coastal jurisdiction would be radically changed.

The issue area has therefore become more and more closely knit.