

Stephen D. Krasner, "State Power and the Structure of Foreign Trade," World Politics vol. 28, no. 3 (April 1976), pp. 317-347

The subject of this paper is the structure of international trade, or "the degree of openness for the movement of goods." Changes in the structure of intl trade are explained IMPERFECTLY by state power theory. State power theory - structure of intl trade is determined by the interests and power of states acting to maximize those national goals. Those interests are (assumed to be) aggregate national income, social stability, political power, and economic growth. The relationship between interests and openness will depend on the economic power of states, specifically distributions of power were a hegemon exists will be most likely to result in open trade. However, this relationship is IMPERFECT and it needs to be amended with an account of how existing domestic institutions affect a state's orientation towards trade openness.

Krasner presents a 2x3 matrix of causal arguments on the relationship between the probability that a trading structure will be open and the distribution of potential economic power on page 323. In a nutshell, a system with one dominant state will be most likely to have open trade, somewhat less likely when there are many smaller states, and even less likely when there are many large states. Also, when states are at similar levels of development, they will be more likely to have open trade.

		Size of States		
		Relatively Equal		Very Unequal
		Small	Large	
Level of Development of States	Equal	Moderate to High Trade Openness	Low to Moderate trade openness	High Trade Openness
	Unequal	Moderate Trade Openness	Low Trade Openness	Moderate to High Trade Openness

Openness, Krasner's dependent variable, can be measured by flows of goods and by policies – so tariffs, trade proportions (the ratio of trade to national income), and the concentration of trade within certain regions are examined.

Period	I: 1820-1879	II: 1879-1900	III: 1900-1913	IV: 1918-1939	V: 1945-1970
Structure of Intl Trade	Open; tariffs low, trade proportions up	Modest close; tariffs up, trade proportions down	Greater openness; tariffs same, but trade proportions up, trading patterns less regional	Closed; tariffs up, trade proportions down, regionalism up	Openness; tariffs down, proportions up; regionalism decreases.

Krasner's independent variable is the distribution of economic power – measured by per capita income, aggregate size, share of world trade, and share of world investment. The Great Britain was the hegemonic economic power in the 19th Century, while the USA was the greatest power in the 20th.

The theory of state power explains trade openness in period I, II, and V (up to 1960). But it does not explain III, IV and V (after 1960). In period III, openness grew while Britain was declining; in period IV, openness failed to grow while the USA was rising; and in latter period V, openness failed to decline as the USA did. Krasner amends his argument by explaining that domestic trade policies often fail to change when there are no cataclysmic external events to encourage that change, because states become "locked in by the impact of prior choices on their domestic political structures." When crises (wars, depressions), indicate that their current policy is ineffective, then they will change them, but there does not have to be a direct correspondence between power shifts and trade policy changes.