Krasner, Stephen D. 1976. "State Power and the Structure of International Trade." *World Politics* 28, 3 pp. 317-347.

Quick summary: *State-power theory explains the structure of international trade (degree of openness for the movement of goods. Openness is most likely to occur during periods when a hegemonic state is in its ascendancy.*

What is the central puzzle/question?
What explains the structure of international trade – the degree of openness for the movement of goods (as opposed to capital, labor, technology, or other factors of production)?

What is the central answer(s)?
State-power theory – the structure of international trade is determined by the interests and power of states acting to maximize national goals. States seek a broad range of goals and at least four major state interests are affected by the structure of international trade – aggregate national income, social stability, political power, and economic growth. The relationship between these four interests and openness depends on the potential economic power of any state (relative size and level of economic development of the state) and the different distributions of potential power (multipolar, hegemonic) determine different international trading structures.

Key interests

Aggregate national income – greater the degree of openness in the international trading system, the greater the level of aggregate national income. Trade gives small states relatively more welfare benefits than it gives large ones.

Social stability – greater openness exposes the domestic economy to the exigencies of the world market; social instability is thereby increased, since there is friction in moving factors, particularly labor, from one sector to another (domestic production patterns must adjust to changes in international prices). Social stability is, *ceteris paribus*, inversely related to openness, but larger size and greater economic development mitigate the deleterious consequences of exposure.

Political power – higher the relative cost of closure (direct income losses and adjustment costs of reallocating resources), the weaker the political position of the state. These costs are smaller for large states and for relatively more developed states. Hence, a state that is relatively large and more developed will find its political power enhanced by an open system because its opportunity costs of closure are less.

Economic growth – complex relationship with international economic structure. Openness furthers the economic growth of small states and of large ones so long as they maintain their technological edge. Relationship impossible to specify definitively for medium sized states.

Systems

A system composed of a large number of small, highly developed states is likely to lead an open international trading structure.

A system composed of a few very large but unequally developed states is likely to lead to a closed structure.

A hegemonic system (with a single state much larger and relatively more advanced than its trading partners) will likely be open since the hegemonic state will have a preference for an open structure provided it is in its ascendancy. A hegemonic state can use its economic resources to create an open structure (offer access to its large domestic market and cheap exports, withhold foreign grants and engage in competition). Openness is most likely to occur during periods when a hegemonic state is in its ascendancy. (p. 323) If the most powerful and technologically advanced state finds its lead diminishing, openness will work to its disadvantage (diverting resources from domestic economy and providing potential competitors with knowledge to develop their own industries). Hence, a declining hegemon should favor closure.

Empirics

Dependent variable – the structure of the international trading system. Operationalized through tariff levels, trade proportions (ratio of trade to national income), concentration of trade within regions composed of states at different levels of development. A period when tariffs are falling, trade proportions are rising, and regional trading patterns are becoming less extreme is defined as one in which the structure is becoming more open.

Independent variable – distribution of potential economic power among states. Operationalized through per capita income, aggregate size, share of world trade, and share of world investment.

To test the argument, Krasner examines four periods: 1820 to 1879, 1879 to 1900, 1900 to 1913, 1918 to 1939, and 1945 to c.1970. His argument explains the periods 1820 to 1879 (Britain is rising hegemon – opening), 1880 to 1900 (Britain is relatively declining hegemon – modest closure), and 1945 to 1960 (ascendancy of U.S. – opening). It does not fully explain those from 1900 to 1913 (Britain in relatively decline but opening system), 1919 to 1939 (ascending U.S. but little effort to open structure), or 1960 to the present (U.S. in relative decline – structure not closing).

British commitment to openness continued long after Britain's position had declined. American commitment to openness did not begin until well after the U.S. had become the world's leading economic power and has continued during a period of relative American decline. Krasner amends his argument by stating policies are likely to be pursued until a new crisis demonstrates that they are no longer feasible.

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