

David Lake, "International Economic Structures and American Foreign Economic Policy," *World Politics* 35, no. 4 (July 1983), pp. 517-543

Both Kindleberger and Gilpin developed models of the economic effects of hegemonic stability, each dividing the world into three roughly analogous size-based types of countries – small "free riders," medium "spoilers," and large "hegemons." The primary difference between the models is the motivation of the hegemon: in Kindleberger's world the hegemon acts altruistically in providing economic stability, while Gilpin's hegemon exploits its own relative efficiency (i.e., productivity) to reap disproportionate gains from a stable system and thus is acting for its own economic benefit. Lake finds both models unsatisfactory. He postulates a fourth type of country, a "supporter," which is a medium-sized country that nevertheless produces relatively efficiently; such a state enjoys relative benefits from free trade, but will not (indeed, with its middling size, cannot) enforce a free trade regime. If there is a hegemon in the world, then, the supporter would happily free ride upon the (hegemonically) stable system. If there are no hegemonies but multiple supporters, the system will lose some stability, but the supporters will interact among themselves to reduce tariffs and hence instability. If there is but one supporter, the system is at its most unstable: that supporter will in the absence of constraints employ protectionist policies, as will the free riders.

To verify the plausibility of this hypothesis, Lake examines the behavior of the United States and the international system in general from 1870-1938. During this era, the U.S. was consistently a supporter; meanwhile, the United Kingdom, the only other relevant country in the system, moved from being a hegemon (1870-ca. 1897) to being a supporter (ca. 1898-ca. 1930) to being a spoiler no more important than Germany or even France (ca. 1930-1938). Thus there is sufficient systemic change to meaningfully observe whether the behaviour of a given supporter (i.e., the U.S.) conformed to the theory's expectations. The use of the "American System" and failure of the Cleveland Administration to pass its tariff reductions are seen as vindicating Lake's hypothesis: until 1897, while the U.K. still provided hegemonic stability, the U.S. rode free. From 1898 until about 1913, the U.S. began advocating the somewhat more liberal Open Door policy, but still clung to its old, high tariff rates; after 1913 the Wilson and Harding administrations proved much more willing to experiment with lower, less conditional import restrictions. During and following World War I the U.S. gained the new bargaining tool of international finance (i.e., war loans) to use in pursuit of free trade against Europe – and especially against the illiberal machinations of the conniving French – but as the U.S. still needed to bargain with the Britons, Lake again sees this as conforming to his predictions. Once Britain had faded into well-deserved obscurity as a spoiler in the 1930s, the United States reacted with first the catastrophically destabilising Smoot-Hawley tariff of 1930, then, upon recognising the futility of such policies, with the more trade-friendly 1934 Reciprocal Trade Agreements Act. This confusion, Lake is happy to assert, agrees with his predictions: the United States' actions were all short-sighted attempts at achieving domestic economic prosperity.

Lake at length identifies some problems with his reformulation of hegemonic stability. U.S. tariff levels in the 1920s, for example, were higher than he would have predicted; further, the causation of instability in the 1930s was reversed – instead of the U.S. reacting to a worldwide high-tariff environment, the U.S. precipitated such an environment. Both these problems may stem from important domestic factors advocating protectionism. Lake also acknowledges the absence of a clear causal link between system factors and domestic policies. Nevertheless, he still feels his theory has merit, and applies it to predictions for the 1980s and 1990s; since there were no hegemonies but multiple supporters (the U.S., West Germany, and (just barely) France, with Japan moving rapidly towards supporterdom), there should have been relative stability and restraint, though with more protectionism and tariffs than during the postwar American hegemony.