

Ruggie 1982, “International regimes, transactions, and change: embedded liberalism in the postwar economic order.”

Brief Summary:

Ruggie focuses on how the regimes for money and trade have reflected and affected the evolution of the international economic order since World War II. In arguing against the theory of hegemonic stability, Ruggie develops the concept of “embedded liberalism” in order to depict international authority as reflecting a fusion of both power and legitimate social purpose, not only the distribution of interstate power alone.

Main puzzle:

Why did not the international free trade regime fall when the hegemon’s power eroded, as predicted by the hegemonic stability theory?

Main answer:

Ruggie’s analysis suggests that far more continuity can attend hegemonic decline than would be predicted by the hegemonic stability thesis, provided that social purposes are held constant.

- International regimes have been defined as social institutions around which actor expectations converge in a given area of international relations. Accordingly, as is true of any social institution, international regimes limit the discretion of their constituent units to decide and act on issues that fall within the regime’s domain.
- The analytical components of international regimes we take to consist of principles, norms, rules, and procedures.
- The formation and transformation of international regimes may be said to represent a concrete manifestation of the internationalization of political authority.
- The model of the formation and transformation of international economic regimes.
 - The most common interpretation is neo-realist or the theory of hegemony stability: if economic capabilities are so concentrated that a hegemon exists, an open or liberal international economic order will come into being.
- In Ruggie’s view, the theory of hegemonic stability is not wrong. But, it does not proceed very far in making people understand international economic regimes because it does not encompass the phenomenological dimensions of international regimes.
- Ruggie, then, develop three theoretical arguments as follows:
 1. The hegemonic stability theory focuses only on power, but ignores the dimension of social purpose. This formulation of focusing on power may predict the form of the international order, but not its content. To say anything sensible about the content of international economic orders and about the regimes that serve them, it is necessary to look at how power and legitimate social purpose become fused to project political authority into the international system. This character of the international economic order is subsequently called “embedded liberalism.”
 2. Concerning the relationship between international economic regimes and developments in the international economy, particularly at the level of private transaction flows, Ruggie indicates that these regimes are neither determinative nor irrelevant as viewed by conventional Liberals and Realists respectively. Instead, they provide part of the context that shapes the character of transnationalization.
 3. The occurrence of change in and of regimes is not solely a function of power, but also of purpose. As long as purpose is held constant, there is no reason to suppose that the normative framework of regimes must change as well. In other words, rules and procedures (instruments) would change but principles and norms (normative frameworks) would not.

1. The structure of international authority:

- The balance between “authority” and “market” fundamentally transformed state-society relations, by redefining the legitimate social purposes in pursuit of which state power was expected to be employed in the domestic economy. “The role of the state became to institute and safeguard the self-regulating

market” (202). In sum, efforts to construct international economic regimes in the interwar period failed not because of the lack of a hegemon. They failed because, even had there been a hegemon, they stood in contradiction to the transformation in the mediating role of the state between market and society.

2.The compromise of embedded liberalism

- The task of postwar institutional reconstruction was to maneuver between these two extremes and to devise a framework which would safeguard and even aid the quest for domestic stability without, at the same time, triggering the mutually destructive external consequences that had plagued the interwar period.
- This was the essence of the embedded liberalism compromise: unlike the economic nationalism of the 30s, it would be multilateral in character; unlike the liberalism of the gold standard and free trade, its multilateralism would be predicated upon domestic interventionism.
- In sum, that a multilateral order gained acceptance reflected the extraordinary power and perseverance of the USA. But that multilateralism and the quest for domestic stability were coupled and even conditioned by one another reflected the shared legitimacy of a set of social objectives to which the industrial world had moved.

3.Complementary transaction flows

- International economic regimes do not determine international economic transactions. For determinants we have to look deeper into basic structural features of the world political economy. But, nor are international economic regimes irrelevant to international economic transactions. They play a mediating role, by providing a permissive environment for the emergence of certain kinds of transactions, specifically transactions that are perceived to be complementary to the normative frameworks of the regimes having bearing on them.

4.Norm-governed change

- If international regimes are not simply emanations of the underlying distribution of interstate power, but represent a fusion of power and legitimate social purpose, our cause and effect reasoning becomes more complex. For then, the decline of hegemony would not necessarily lead to the collapse of regimes, provided that shared purposes are held constant.

5.Stress, contradiction, and the future

- How enduring is embedded liberalism?
- A central ingredient in the success of embedded liberalism to date has been its ability to accommodate and even facilitate the externalizing of adjustment costs. There have been three major modes of externalization:
 - 1. An intertemporal mode, via inflation
 - 2. An intersectoral mode, whereby pressure on domestic and international public authorities is vented into the realm of private markets
 - 3. An interstratum mode, through which those who are ‘regime makers’ shift a disproportionate share of adjustment costs onto those who are ‘regime takers.’