General argument: With international regimes\(^1\) as the dependent variable, what explains the formation and content of these institutions?

Two competing explanations:

1. **Hegemonic stability theory** (Kindleberger)- Hegemony establishes liberal economic order, which wane and wax with the backing of the hegemon. The material interest in an open world economy and the ability of the hegemon to establish and enforce corresponding regimes are what matter. The rise and decline of economic hegemons determine whether regimes become more open or more closed (one independent variable, one dependent variable with only two possible outcomes).

2. **Embedded liberalism** (descriptive term for post WWII world) - Power is necessary to establish regimes, but the content of the regimes are determined also by social purpose (norms). Fusion of power + norms lead to regimes, which ‘play a mediating role, by providing a permissive environment for the emergence of specific international economic transactions’. (two independent variables, one dependent variable with more properties and variance)

If power of the hegemon erodes, instruments of regimes (rules and procedures) change but norms and principles need not. This is the post 1971 situation, and embedded liberalism remains.

To explain international regimes in the 20\(^{th}\) century, from pre-WWI to post 1971, Ruggie employs the embedded liberalism theory. Norms changed depending on the purpose of domestic and international authority, or more specifically goals of states (to ensure more or less employment, to uphold the gold standard, etc.) This sounds like *Interest* masquerading as norms, but Ruggie argues there were intersubjectively shared meanings and understandings on how to achieve commonly held ends, though they can and do change.

**Main hypotheses:**
- Power + Social purpose \(\rightarrow\) international regimes
- Power changes, norms stay constant \(\rightarrow\) instruments of regimes change, normative frameworks do not

**Empirics:**
Historical argument – To measure independent variables: Power (primarily of the U.S. after WWII) is assumed rather than measured (see pg. 393), since that’s what hegemonic stability theory looks at. Norms - discourse of government officials is used to determine the ‘social purposes’ or norms. Dependent variable – measured by the rules/policies of

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\(^1\) Defined as: social institutions around which actor expectations converge in a given area of international relations – consisting of four analytic components: principles, norms, rules and procedures.
institutions like GATT, IMF, etc. Ex. A lack of liberalization of agricultural trade barriers reflects this type of compromise, despite the existence of the GATT.

Post WWII, embedded liberalism – A compromise, characterized by multilateralism, predicated upon domestic interventionism. The industrial world shared a set of social objectives (preserving domestic stability), and this + the power of the U.S. accounts for the formation of embedded liberal institutions.

These institutions do not serve the third or non-industrial world, and were made at their expense.

Norm-governed change explains post 1971 situation, where power of U.S. declined but the normative framework of embedded liberalism remained. Examines the changes in the monetary (shift from fixed to floating rates of exchange) and trade regimes (lower tariffs combined with domestic safeguards and negotiated export restraints). Concludes that ‘more continuity can attend hegemonic decline than would be predicted by the hegemonic stability thesis, provided that social purposes are held constant.’

Embedded liberalism is durable, due to its ability to accommodate and even facilitate the externalizing of adjustment costs.

**Critiques:**
- While it is clear how power changes, it’s unclear as to how norms change.
- Intersubjectively held social purposes – are these really NORMS in the conventional sense of the word, or can they be just as easily understood as *shared interests*? Not clear if this is actually an alternative, more sophisticated materialist theory masquerading as a materialist + constructivist theory.