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Revisiting the fallacies in Hegemonic Stability Theory in light of the 2007-2008 crisis: the theory's hollow conceptualization of hegemony

Abstract: In light of the renewed popularity of Hegemonic Stability Theory (HST) in the context of governance debates in the aftermath of the 2007-2008 crisis, this paper revisits, from a conceptual angle, the shaky basis upon which the theory draws a causal link between hegemony and stability. The paper is a critique of HST as a theory of hegemony that contains an underdeveloped concept of hegemony only defined *ex post*, highlighting that it is precisely this hollow conceptualization that has allowed for the perceived compatibility between US power and stability at a point in time (the Bretton Woods years) to be erroneously generalized into a causal relationship. The paper also shows, via the example of Germany in the European Economic and Monetary Union (EMU), how inattention to the conceptual content of HST has permitted the heedless extension of a problematic understanding of hegemony *through* stability to cases of regional hegemony.

Keywords: Hegemonic Stability Theory; hegemony; US; Bretton Woods; Germany; EMU

1. Introduction

Hegemonic stability theory (HST) was popularized in the 1980s by international political economy (IPE) scholar Robert Keohane (1984) as a development on the earlier ideas of Charles Kindleberger (1973) and Robert Gilpin (1981). The theory posits that ‘global economic health’ is ‘dependent on the presence of a single dominant power’ (Cohen, 2008, p. 67), i.e. that there exists a strong causal relationship between hegemony and systemic stability. In his book on the history of IPE, Cohen (2008) claimed that this premise of HST ‘was always something of a canard’ (p. 67), and that the theory itself gradually faded into obscurity and ‘died a natural death’ (p. 68).

The renewed interest in hegemony as a way of reorganizing the international economic system towards greater stability in the aftermath of the 2007-2008 financial crisis in academia, policy circles and the media demonstrates, however, that HST never truly died. On the contrary, it continues to dominate IPE and set the terms of reference in debates around regional and global governance. The experience of the Great Depression, a period characterized both by great instability as well as by the absence of a dominant power at the international level, has been invoked in recent years to emphasize ‘the importance of hegemony’ for stability in the post-2008 context, as a lesson to be learned from the past (see e.g. DeLong and Eichengreen, 2013; Elliott, 2017). The alleged importance of American hegemony in particular has been highlighted by US foreign policy analyst Robert Kagan (2012), who, in an article for the Brookings institution titled ‘Why the World Needs America’, suggested that the alternative to American power would be ‘chaos and catastrophe’, given the ‘essential’ role played by the US in ‘keep[ing] the world order together’.

While the crisis thus certainly appears to have fed into the belief that US hegemony needs to be stronger at the international level for systemic stability to be maintained, this belief had nevertheless been widespread before the crisis too, with HST shaping US state practices. Worth (2015) has linked HST primarily with US neoconservative circles such as the ‘Project for a New American Century’ (a think-tank co-founded by Kagan in the 1990s) and with the George W. Bush administration. Layne (2012, p. 204), however, argued that ‘preserving the United States’ hegemonic role in a unipolar world has been the overriding grand strategic objective of every post-Cold War administration from George H. W. Bush’s to Barack Obama’s’. Stokes (2018) more recently added that, Trump’s bombastic statements notwithstanding, the policies adopted by the current American administration actually signal greater continuity in this respect with those of previous administrations than is commonly perceived.

Given this continued devotion to the idea that hegemony underwrites stability, it is unsurprising that the instability associated with the Great Recession has given rise to concerns that the hegemonic power of the US is in decline. This mirrors the context of the 1980s when the instabilities in the aftermath of the collapse of the Bretton Woods system were taken by some scholars, referred to as ‘declinists’, to mean that US power was on the wane. For Layne (2012; 2018), the 2007-2008 crisis has vindicated the predictions of the ‘declinists’ of the 1980s, and revealed the rise of China as hegemonic contender which will ultimately displace the US-led postwar order. Based on a particularistic reading of Thucydides¹, Allison (2017) claimed that the current period of alleged hegemonic transition is likely to result in a Sino-American war in the not too distant future, unless strategic adjustments are made on both sides (the US as declining hegemon and China as hegemonic challenger). By contrast, Wohlforth (2012) and Saull (2012) argued that such HST-inspired conclusions are based on inconsistent measures of capabilities (Wohlforth, 2012) and are therefore ‘exaggerated at best’ (Saull, 2012, p. 325).² Beeson and Broome (2010) suggested that, rather than signalling a loss of US power in favor of China, the crisis actually provides evidence of the potential of hegemons to generate systemic instability instead of stability by shifting the burden of adjustment onto other countries (those in the East Asian region, in the case of US hegemony).

Recent literature has therefore criticised HST mainly on empirical grounds: the ambiguous evidence brought in support of the ‘declinist’ thesis, as well as the theory’s failure to account for the ‘negative externalities’ (Beeson and Broome, 2010) generated by US hegemony. On a

¹ From the sentence ‘it was the rise of Athens and the fear that this instilled in Sparta that made war inevitable’ in Thucydides’ *History of the Peloponnesian War*, Allison (2017, xv) derived the proposition – labelled ‘Thucydides’s Trap’- that ‘when a rising power threatens to displace a ruling power, the resulting structural stress makes a violent clash the rule’. Critics have pointed out that ‘the rise of Athens’ in Thucydides’ text actually refers to the change in the nature of (established) Athenian hegemony rather than a sudden shift in the distribution of capabilities between Athens and Sparta, and also highlighted the limits of generalizing such a quote into a universal law of international relations (see, e.g. Lee, 2019).

² This is reminiscent of Susan Strange’s intervention against the ‘declinists’ of the 1980s. Strange (1987) had argued that the indicators chosen by the ‘declinists’ were misleading, and that the US in fact maintained its supremacy in all four main areas of structural power (security, production, finance, knowledge).

more theoretical level, some of these critiques have rightly pointed out that literature in support of the ‘declinist’ argument is guilty, *inter alia*, of introducing terms like ‘hegemony’ – which have no widely agreed-upon meaning – without defining them (see Wohlforth, 2012). But this has, so far, not led to a re-evaluation of the concept of hegemony that HST employs. There has been very limited discussion around the concept of hegemony in general in recent years; for an exception, see the overview by Worth (2015), which focuses on the apparent distinction between ‘statist’ conceptions of hegemony (of which HST is one) and ideological ones.

This paper addresses this gap in recent literature by providing a critical discussion of the concept of hegemony used in HST. It argues that HST is not just flawed empirically, but – compared to earlier theories of hegemony – based on an underdeveloped concept of hegemony, which is itself what has allowed hegemony and stability to be erroneously associated in a causal relationship. A second contribution of this paper is that it shows, based on the case of Germany in the European Economic and Monetary Union (EMU), how the lack of attention paid to the conceptual foundations of HST has permitted the heedless extension of a problematic understanding of hegemony *through* stability to cases of regional hegemony. The implication of this is that literatures on regional governance implicitly look for similarities and differences between regional powers and the US circa 1950 as an ‘ideal type’ or index, instead of analysing how those regional powers actually operate in a contemporary setting. The paper thereby pushes the literature on hegemony as a form of global and regional governance forward by urging the need for this literature to reassess the way in which it conceptualizes hegemony. In engaging with contemporary HST literature, which considers, as indicated above, the role of the US to be essential for the maintenance of world order (and, by extension, that of Germany to be essential for the maintenance of European order), the paper necessarily focuses on state-led orders, but this is in no way intended as an argument to diminish the importance of other actors and institutions in IPE.

The paper is structured as follows. Section 2 consists of a brief outline of theories of hegemony prior to the emergence of HST, with a focus on how these theories conceptualize hegemony. Section 3 then discusses the context behind the emergence of HST in the writings of Kindleberger and Gilpin. Section 4 examines the official formulation of HST in Keohane's work, with hegemony defined *ex post*, and how this has allowed for the perceived compatibility between US power and stability during the Bretton Woods years to be generalized into the premise that stability is a public good whose provision requires the existence of a hegemon. Section 5 reviews the main arguments as to why this generalization is erroneous. Section 6 examines the unmindful application of HST to the case of Germany in the EMU and the implications of this. Section 7 concludes.

2. Theories of hegemony before HST

While there exists no all-encompassing theory of hegemony, in its broadest sense the term is understood to denote 'a relationship between the dominant and the dominated' (Worth, 2015, p. 17). The *Columbia Dictionary of Modern Literary and Cultural Criticism* (1995) defines hegemony as 'the dominance of one group, nation, or culture over another', whereas the *Routledge Encyclopedia of International Political Economy* (2002b, p. 669) defines it as 'the occupation of a dominant position within any system'.

The origins of the term can be traced back to Thucydides' *History of the Peloponnesian War*, written in the fifth century B.C. There, it was used in the context of leadership of (military) alliances between Greek city-states – specifically, to describe the changing nature of Athenian leadership of the Delian League during the Peloponnesian War. In his narrative, Thucydides distinguished between *hegemonia* and *arkhe*, both translated into English as *hegemony*, using the first to denote legitimated leadership, and the latter to mean political control, with *hegemonia* a precondition for long-term *arkhe* (Lebow and Kelly, 2001). *Hegemonia* itself was

considered a matter of entitlement. As summarized by Wickersham (1994, p. 23), ‘in claiming hegemony (...) the first point one makes is that another arrangement would be an insult; one demonstrates an insultiness by recounting everything that gives one’s city a claim to glory and honor’. For Thucydides, hegemony represented a ‘gift of honor’ bestowed upon Athens by other city-states in the Delian League, proud to be allied with Athens, for both material and ideational reasons. These included: the decisive role played by Athens in ultimately achieving victory in the earlier Greek-Persian Wars; the expectation of benefits to be gained as a result of being granted access to the vast and expanding Athenian market; as well as admiration and respect for the intellectual and artistic accomplishments of Athens (Lebow and Kelly, 2001). Thucydides’ main contention was that the shift in Athenian military strategy from defensive to offensive during the Peloponnesian War, which required more resources and therefore led to a more coercive attitude towards allies and adversaries alike (and hence a gradual abandonment of notions of morality, justice, and honor), marked a shift away from *hegemonia* to a failed *arkhe* (ibid.). Hegemony in the Ancient Greek variant, therefore, denotes a combination of military and economic power with moral leadership, ethics and honor; the abandonment of the latter elements leads to unsustainable imperialism, with ‘hegemonic mistreatment’ creating ‘memories that inhibit future attempts at empire building’ (Lebow and Kelly, 2001, p. 601). In this sense, hegemony is understood as both a potential source of empire, as well as something to contrast empire with (Wickersham, 1994).

A significant modern reconceptualization of the term is attributed to Antonio Gramsci (1971 [1929]), who used it to refer to politics within nation-states in the first half of the 20th century. Gramsci’s notion of hegemony is based on a class-level analysis, which develops Marx’s idea that political institutions and practices are established by the bourgeoisie to consolidate and legitimize its social position and sustain the capitalist mode of production. Hegemony is presented as a compromise between social classes that acquiesce to a particular social order

under the leadership of the dominant class, which must manage to present its interests as natural and ground them in institutions, ideas and morals. For Gramsci (ibid.), intellectuals and civil agency (education, religion, media, popular culture, folklore, etc.) are instrumental in helping materialize certain ideas and mentalities into a working social order, a ‘hegemonic bloc’, as well as in reproducing this social order. In this context, leadership and dominance are not mutually exclusive, but rather reinforce each other:

A social group dominates antagonistic groups, which it tends to ‘liquidate’, or to subjugate perhaps even by armed force; it leads kindred and allied groups. A social group can, and indeed must, already exercise ‘leadership’ before winning governmental power (this indeed is one of the principal conditions for the winning of such power); it subsequently becomes dominant when it exercises power, but even if it holds it firmly in its grasp, it must continue to ‘lead’ as well (Gramsci, 1971[1929], pp. 57-58).

Gramsci’s analysis was also concerned with the possibility of systemic transformation via the emergence of a working class counterhegemony to challenge the dominant class. Given that hegemony is not reserved solely to the material sphere, but is embedded in institutions, mentalities, relationships, etc., Gramsci (ibid) argued that a working class counterhegemony relying on economic factors alone presents little chance of realization. Rather, once working-class consciousness has developed, it needs to be geared towards challenging the prevailing order at all levels of society. It must combine a war of movement (a direct assault on the capitalist mode of production through mass protests and strike action) with a war of position (a reconstruction of civil agency to be compatible with a new social order, which addresses the needs of more people than the prevailing hegemony, thereby creating a greater basis of consent).

Although the Ancient Greek and Gramscian versions of hegemony obviously represent very different theoretical strands, they nevertheless share (albeit at different levels of analysis) an attention to history, ideational factors, inequality and exploitation, notions of morality and

consent, as well as possibilities for systemic transformation (counterhegemonic forces in Gramsci's formulation, the changing nature of Athenian hegemony in the Greek variant). Both versions have been classified as critical theories of hegemony in the sense that they 'identify the nature of and conditions for hegemony, highlighting the inequalities and subordinations of a given order' (*Oxford Companion to Politics of the World*, 2004). This follows Robert Cox (1981), who distinguished between critical and problem-solving theory more generally based on the purpose it serves. Critical theory in Cox's formulation is theory which 'stands apart from the prevailing order of the world and asks how that order came about' and 'does not take institutions and social and power relations for granted but calls them into question by concerning itself with their origins and how and whether they might be in the process of changing' (Cox, 1981, p. 129).

Hegemonic stability theory differs from these earlier versions not only because it introduces a new level of analysis as a state-centric version of hegemony, but also because, due to its central concern with how hegemony *functions* to sustain the existing order (rather than with the *nature* of hegemony in the process of change), it represents a problem-solving theory of hegemony (*Oxford Companion to Politics of the World*, 2004). Problem-solving theory has been defined as one which 'takes the world as it finds it, with the prevailing social and power relationships and the institutions into which they are organized, as the given framework for action' (Cox, 1981 p. 128), with the purpose 'to make these relationships and institutions work smoothly by dealing effectively with particular sources of trouble' (ibid., p 129). The overriding preoccupation of HST with defending the existing order, to the neglect of considerations vis-à-vis the nature of hegemony, comes from the historical context in which the theory was formulated, as detailed in section 3 below, and is the reason why the concept of hegemony itself in HST is underdeveloped, as will be shown in section 4.

3. The road to HST: the ‘1970 as year zero’ thesis in IPE, Kindleberger, and neorealism

Hegemonic stability theory received ‘both its name and its prominence’ (Snidal, 1985, p. 581) from Robert Keohane (1984), who, however, listed economic historian Charles Kindleberger (1973) and neorealist IPE scholar Robert Gilpin (1981) as the ‘major proponents of the theory’. Keohane (2009) implicitly associates the birth of HST with the birth of IPE as a discipline: ‘when Susan Strange, Joseph Nye, Peter Katzenstein, Stephen Krasner, John Ruggie, and I started to explore IPE – Susan in the 1960s, Joe and Steve and I around 1970, Peter and John a few years later – there was no field’ (Keohane, 2009, p. 35). This ‘1970 as year zero’ thesis (Clift and Rosamond, 2009, p. 95) is misleading, given the legacy of earlier classical political economy debates and traditions that feed into IPE (Patomäki, 2009; Hobson, 2013). It can, on the other hand, provide an explanation as to why HST remains a centerpiece of IPE. The origins of IPE as delineated by Keohane coincide with the collapse of the dollar-backed, US-led Bretton Woods system of international economic management, which was commonly assumed to have brought unparalleled stability and prosperity to participating nations. The fact that the associated ‘contextual assumption of foregone stability continues to cast a large shadow’ over IPE today (Watson, 2014, p. 28), as illustrated by the more recent HST-inspired literature mentioned in the introduction, constitutes, according to Watson (2014), one of the ‘originating biases’ in IPE that result from treating 1970 as ‘year zero’ as far as the discipline is concerned. Widespread perceptions of US decline and foregone stability, along with anxiety over what would emerge out of the ashes of the Bretton Woods system, prompted scholars in the 1970s and 1980s to research the conditions that had to be met for renewed systemic stability, on the underlying assumption that American dominance in the world economy was a desirable set of affairs that should be revived. This focus on tactical actions to defend the Bretton Woods order gave HST its problem-solving character, in contradistinction to earlier critical theories of hegemony. Although proponents of HST ostensibly based their theory on two distinct cases of

global hegemony – Britain from the 19th century until the First World War and the US during the Bretton Woods years – it has been argued that they implicitly introduced the theory as part of the aforementioned ‘lament or "nostalgia" for a perceived decline of American hegemony’ (Snidal, 1985, p. 580) following the collapse of the Bretton Woods system. Consequently, HST carries within it a strong ethnocentric bias in favor of the US. Earlier critics of HST have claimed that the theory satisfied intellectual needs felt in the US in the 1970s and beyond ‘to tie together the fates of the US and world economies in a seamless web of mutual necessity’ (Agnew and Corbridge, 1995, p. 105), with the practical purpose of convincing the rest of the world that ‘a rejuvenation of US power’ would be ‘for their own good’ (Grunberg, 1990, p. 447).

Kindleberger’s *The World in Depression* (1973), which, according to Keohane (2009, p. 35), ‘made a great impact’ on IPE scholars writing in the 1970s and 1980s, implicitly reflects such concerns vis-à-vis post-Bretton Woods instability and US decline as had been prevalent at its time of writing and publication. While the book was outwardly focused on an earlier time – the Great Depression and its causes – its final chapter contained a section on ‘relevance to the 1970s’ which emphasised the importance of leadership alongside concerns that ‘that of the United States is beginning to slip’ (Kindleberger, 1973, p. 307). *The World in Depression* was set out as a critique of arguments espoused by both Milton Friedman, who had explained the Great Depression as a consequence of flawed US monetary policy, and Paul Samuelson, who saw it as a result of historical accidents, and provided an alternative explanation: a lack of leadership in the world economy, at a time when Britain had been too weak to lead, and the US unwilling (Kindleberger, 1973).

This argument is rooted in the neoclassical theory of public goods: for Kindleberger, international stability represents the ultimate public good in the world economy, whose existence depends on the provision of second-order public goods: counter-cyclical long-term

lending, discounting in crisis, an open market for distress goods, the coordination of macroeconomic policies, and a stable exchange rate system³. A pure public good is defined as one fulfilling both the criterion of non-excludability (no individual or group can be prevented from consuming it) and that of non-rivalry or jointness (consumption by one agent does not preclude simultaneous consumption by another). Because of these characteristics, agents have the incentive to free-ride, relying on someone else to provide the good. This leads to a problem of collective action, whereby the public good may be underprovided, not provided at all, or provided only after a significant delay (Drazen, 2000). For Kindleberger, stability is a pure public good, underprovided because of free-ridership, not exploitation: ‘the danger we face is not too much power in the international economy, but too little, not an excess of domination, but a superfluity of would-be free riders’ (Kindleberger, 1981, p. 253). While every country has an interest in stability, Kindleberger argued that each prefers another state to provide it, in effect behaving in a way that is ‘individually rational, though collectively disastrous’ (Drazen, 2000, p. 385). In game theoretic language, this translates into Prisoner’s Dilemma payoffs: every country has the choice to either cooperate (provide the public good) or defect (free-ride). With non-cooperation as a dominant strategy, the Nash equilibrium is established where all countries defect, and find themselves worse off than if they had cooperated.

This collective action problem could be solved, according to Kindleberger (1986, p. 845), if a country were willing to step up as a leader, motivated by ‘conscience, duty, obligation, or [...] noblesse oblige’, prepared ‘to set standards of conduct for other countries’, ‘to seek to get others to follow’, and ‘to take on an undue share of the burdens of the system’ (Kindleberger, 1973, p. 28), shifting the system away from non-cooperative equilibrium. Since small countries ‘lack the power to affect the outcome of great events and are therefore privileged to look after

³ The latter two are not explicitly mentioned in *The World in Depression* (Kindleberger, 1973) but were added subsequently (Kindleberger, 1986).

the private national interest rather than concern themselves with the public good of stability' (ibid., p. 301) it is up to bigger countries to provide crisis resolution mechanisms and maintain the world economic system afloat. According to Grunberg (1990, p. 444), 'Kindleberger's discourse is outright moralistic and perhaps refreshing in its sincerity', biased in favor of the US, but at the same time reflecting a genuine underlying conviction that America is 'a profoundly moral nation' (ibid.). Kindleberger concluded that 'the main lesson of the inter-war years' is that 'for the world economy to be stabilized, there has to be a stabilizer, one stabilizer' (Kindleberger, 1973, p. 305, emphasis added).

Kindleberger's 'one stabilizer' argument is mirrored within the field of IPE in Gilpin's (1981) arguments in favor of unipolarity in the world economy. In *War and Change in World Politics*, Gilpin (ibid.) analyzed the conditions under which the international economy reaches equilibrium. He took the (assumed to be rational and unitary) state as unit of analysis, part of an international system believed to be anarchic. The crux of Gilpin's argument was that states have always acted as egotistic individuals in an anarchic world, attempting to modify the international system away from equilibrium as a result of increases in their relative power or cost decreases, and will continue to do so unless disciplined by 'rational constraints' such as the dominance of one state over the others in a 'universal imperium':

Through calculations of power and national interest statesmen can create order out of anarchy and thereby moderate the inevitable conflicts of autonomous, self-centered, and competitive states (...) Realism is based on practices of states, and it seeks to understand how states have always behaved and presumably will always behave. It does not believe that the condition of anarchy can be transcended except through a universal imperium (Gilpin, 1981, p. 226).

By contrast, bipolarity and multipolarity were assumed to lead to instability: 'efforts by one or more states to improve their relative positions can trigger an uncontrollable train of events that can lead to international conflict and war' (Gilpin, 1981, p. 93).

While Gilpin, as shown in the quote above, classified his own perspective as ‘realism’, it has since become known as ‘neorealism’. Neorealism shares with realism an emphasis on the ‘importance of state power in economic affairs’ (Crane and Amawi, 1997, p. 19): the ontological premise that states are the primary actors in international relations. The ‘neo’ prefix has been used by critics of neorealism such as Cox (1981) to highlight the shift from pre-Second World War realism, a critical theory concerned with understanding ‘institutions, theories and events within their historical contexts’, considering also the subordinations embedded within a particular order, as well as alternatives to it, to a form of problem-solving, ahistorical realism that became instead focused on tactical actions ‘which sustain the existing order’ (Cox, 1981, p. 130), in the context of concerns vis-à-vis US decline. Against this backdrop, the ‘assumption of fixity’ (Cox, 1981, p. 129) behind generalizations about how states ‘will always behave’ (Gilpin, 1981, p. 211), and the associated claim that ‘the nature of international relations has not changed fundamentally over the millennia’ (ibid.) is interpreted not merely as ‘a convenience of method’, but as serving particular interests that ‘are comfortable with the given order’ (Cox, 1981, p. 129).

Gilpin’s ‘universal imperium’ and Kindleberger’s ‘one stabilizer’ argument, both couched attempts at a ‘defense of American power as a bulwark of the maintenance of order’ (Cox, 1981, p. 131) became known as HST in Keohane’s work. Section 4 below discusses the formulation of the theory and the concept of hegemony contained within it.

4. The formulation of HST, with hegemony defined *ex post*

Hegemonic stability theory as formulated by Keohane (1984, p. 31) is centered around two main propositions: that ‘order in world politics is typically created by a single dominant power’, and ‘the maintenance of order requires continued hegemony’. In Keohane’s view, the first proposition is generally valid (a powerful country can induce some form of cooperation), but

the second need not always hold, in the sense that institutions created by a formerly hegemonic nation can sustain order in the future, even *After hegemony* (the title of Keohane's book). Rather than a direct critique of HST, the idea that hegemony is not a necessary condition set the scene for Keohane to develop his own theory of international cooperation. This, like neorealism, takes the rational, unitary state as the primary unit of analysis (Brawley, 1998), but adds that 'cooperation can under some conditions develop on the basis of complementary interests, and that institutions, broadly defined, affect the patterns of cooperation that emerge' (Keohane, 1984, p. 9), affecting state behavior by reducing uncertainty and information asymmetries. This institutionalist nuance ⁴in Keohane's work can be interpreted as an attempt to temper pessimistic expectations of what would happen as a consequence of (perceived) US decline, by suggesting that the existing order would endure regardless. As such, it is 'very much of a piece with the ideological geopolitical discourse of the Cold War period' (Agnew and Corbridge, 1994, p. 82) and hence by no means a complete departure from Kindleberger and Gilpin.

At this point, it is important to note that Kindleberger himself had never used the word *hegemon*, and actually admitted discontent with Keohane's transformation of his concept of 'leadership' into 'hegemony':

a word that makes me uncomfortable because of its overtones of force, threat, pressure. I think it is possible to lead without arm-twisting, to act responsibly without pushing and shoving other countries. The word hegemon means leadership in Greek, to be sure, but my Columbia Encyclopaedia associates it with the Peloponnesian Wars and the struggle for dominance between Athens and Sparta (Kindleberger, 1986, pp. 841-42).

⁴ Keohane's form of institutionalism has been termed 'neoliberal institutionalism' or 'rational choice institutionalism' (*Routledge Encyclopedia of International Political Economy*, 2002a), to reflect a preoccupation with institutions as a means through which rational actors (predominantly states) can maximize utility, rather than a preoccupation with institutions in socio-historical perspective (Brawley, 1998). Building on this, some sources now refer to HST as a 'hybrid' neorealist-neoliberal institutionalist theory (*Routledge Encyclopedia of International Political Economy*, 2002a; *Oxford Companion to Politics of the World*, 2004).

Yet upon closer inspection, Kindleberger's own definition of leadership is not much different from that which he claims to oppose:

Leadership may be thought of at first blush as persuading others to follow a given course of action which might not be in the follower's short-run interest if it were truly independent (...) it has strong elements of both arm-twisting and bribery. Without it, however, there may be an inadequate amount of public goods produced (Kindleberger, 1981, p. 243).

This contradiction highlights the fact that there is no clear concept of hegemony to underpin HST. Michael Cox (2015 xi) even hypothesizes that the term 'hegemon' in HST was chosen simply by a process of elimination, in a context where 'superpower' could not sufficiently 'capture the essence of American power under conditions of unipolarity' and 'empire' 'appeared to carry far too much political baggage'.

Keohane (1984) defined hegemony *ex post* through HST in terms of four pillars of structural power:

The theory of hegemonic stability, as applied to the world political economy, defines hegemony as a preponderance of material resources. Four sets of resources are especially important. Hegemonic powers must have control over raw materials, control over sources of capital, control over markets, and competitive advantages in the production of highly valued goods (Keohane, 1984 p. 32).

While ostensibly based 'on two successive hegemonic powers in the global system (Great Britain and the United States)' (Gilpin, 1981, p. 144), for Keohane (1984, p 37) HST is largely supported 'by only one' case, since 'attempts by the United States after World War II to make and enforce rules for the world political economy were much more effective than Britain's had ever been' (ibid.). According to Susan Strange (1996) it is this one case of the US during the Bretton Woods years that had influenced the definition above. Strange (1996, p. 21) argued that in order to make the case that instabilities in the international system since the 1970s 'were the result (...) of a loss of power by the United States' hegemonic stability theorists needed 'to

find evidence for that loss of power', and that Keohane's definition corresponds to this need. This means that the American ethnocentrism that influenced the development of HST, as discussed in section 3 above, flows over into the concept of hegemony the theory employs. In other words, the theory links hegemony with stability axiomatically, without having developed a concept of hegemony beforehand. Instead, hegemony is defined *ex post*, based on imageries of stability associated exclusively with the US during the heyday of the Bretton Woods system. Therefore, compared to earlier theories of hegemony, HST is a theory of hegemony that employs an underdeveloped concept of hegemony as state hegemony which lacks a 'sense of the state in its 'state-society' aspect' ⁵(Agnew and Corbridge, 1995, p. 82), but a concept that is, at the same time, covertly based on an idealized version of a particular state at a particular point in time: the US in the 1950s.

In keeping with the neorealist assumption that 'the nature of international relations has not changed fundamentally over the millennia' (Gilpin, 1981, p. 211), Gilpin (2001, p. 99) more recently defined a hegemon as 'the leader of an alliance like that organized by Sparta to defeat the Persian invaders in ancient Greece or by the United States to defeat the Soviets'. This definition reflects the fact that 'history becomes for neorealists a quarry providing materials with which to illustrate variations on always recurrent themes', such that '[t]he mode of thought ceases to be historical even though the materials used are derived from history' (Cox, 1981, p. 131). Defining hegemony in this way conflates distinct issues: the alliances in Ancient Greece were formed between city-states that do not constitute an exact equivalent of nation-states today, whereas the Cold War involved politics between well-defined states of the 20th century. Furthermore, this interpretation of hegemony fails to account for Cold War bipolarity, confusingly referring to the Soviet Union as hegemonism/a darker side of hegemony

⁵ Agnew and Corbridge (1995) had made this point about 'conventional IPE' more widely.

(Grunberg, 1990); also, it is unclear whether the US did ‘defeat’ the Soviets, or the collapse was, in fact, generated internally.

It is precisely this hollow, *ex post*, ahistorical conceptualization of hegemony in HST that has allowed for the perpetuation of the assumption that hegemony creates stability, or, in other words, that stability is a public good in any system led by a hegemon. Introduced as an afterthought to support the theory’s implicit idealized version of US leadership, the underdeveloped concept of hegemony in HST overlooks the reality that there exists ‘a plurality of forms of state’ (Cox, 1981 p. 127), and therefore alternative forms hegemons might take. Different hegemons – or the same hegemon at different points in time – in fact use their power in different ways (Strange, 1987), with various implications for stability and for the international system more widely, such that the link between hegemony and stability is not actually generalizable, as will be discussed in section 5 below.

5. The tenuous link between hegemony and stability

The perceived compatibility between US power and systemic stability during the Bretton Woods years was transformed in HST into the premise that stability is a public good whose provision requires the existence of a hegemon. This is an erroneous generalization, for several reasons: the fact that the aforementioned compatibility had been a ‘happy coincidence’ (Strange, 1996), that even the Bretton Woods years had been marked by trade-offs between stability in some parts of the system and instability in others, and that understandings of systemic stability are in themselves intersubjective and changeable rather than objective and invariable.

Relative global stability during the Bretton Woods era under US hegemony had been the result of a ‘happy coincidence’ of various national and systemic interests, converging to create a rare window of opportunity at a unique historical moment:

Having just fought a war to stop Europe falling under German domination, the United States government was not likely to let it fall under the domination of the Soviet Union. At the same time, the memory of 13 million Americans out of work in 1940 was still fresh, and the risks to American business of a postwar recession were being openly discussed. Reviving and at the same time opening the European economy to American enterprise was the solution in the American economic interest, just as offering military guarantees against further Soviet expansion westwards was the solution to American geopolitical interests (...) To hope for another such happy coincidence in the 1970s or the 1990s – or indeed at any other time in the foreseeable future – would be over-optimistic. The reversion of US policy to a more self-serving, unilateralist use of hegemonic structural power (...) is (...) only to be expected. (Strange, 1996, p. 195).

In light of this, whereas for hegemonic stability theorists the collapse of the Bretton Woods system and the growing trade deficits of the US (taken to mean a loss in foreign markets and competitive advantage) marked the end of American hegemony, Strange argued that these aspects instead signified only a shift in US priorities, a change in the *nature* of US hegemony, given continued US supremacy in terms of four pillars of structural power – production, finance, security, and knowledge (Strange, 1987; 1996).

Moreover, it is debatable whether US hegemony in the Bretton Woods system ever entailed joint gains in terms of stability to begin with. Writing during the Bretton Woods years, dependency theorists argued that US recovery and expansion following the Korean War had accelerated processes of industry ‘satellization’ in Latin America, leading to balance of payments crises in Brazil and Argentina, which reinforced the underdevelopment of those countries (see, for example, Andre Gunder Frank, 1966). Broz and Frieden (2001) also showed that the US as a hegemonic nation had opportunistically placed the burden of adjustment onto Western Europe from the late 1960s until the collapse of the Bretton Woods system. Such cases indicate a potential for hegemonic *instability* as a ‘bad’. This suggests that international systems such as Bretton Woods can be understood, at best, as – to use Jessop’s (2014, p. 45)

terminology – ‘institutional fixes (...) that produce temporary, partial, and unstable zones of stability (and corresponding zones of instability) within the limits of the crisis-prone capital relation’. One cause of instability that ultimately led to the collapse of the Bretton Woods system – along with the related problems of adjustment between the surplus countries in Europe and the US and UK as deficit countries, and speculative capital movements (Best, 2004) – was the tension between the short-term domestic interests of the US as the reserve-issuing country on the one hand, and the longer-term stability of the international monetary system on the other. This tension is known as the Triffin dilemma, which resulted from ‘the absurdities associated with the use of national currencies as international reserves’ (Triffin, 1960, p. 10). Under the Bretton Woods system, the US needed to supply dollars to create international liquidity, but this gradually worsened the US balance of payments position and thereby eroded confidence in the dollar’s convertibility into gold; on the other hand, an attempt to correct the US deficit would have generated problems of a different kind: a liquidity shortage and global deflation. According to Triffin (1960, p. 10), the dilemma could be best resolved through ‘the internationalization of the foreign exchange component of world monetary reserves’. This was, essentially, what Keynes had also proposed back in the 1940s, when he put forward his plan for an International Clearing Union (Keynes, 1980 [1942]), which presupposed the creation of an international currency (bancor) so that ‘no particular member states have to engage their own resources as such to the support of other particular states or any of the international projects or policies adopted’ (Keynes, 1980 [1942], p. 191). Triffin’s own preferred solution in the context of the 1960s was a reform of the system towards barring participating nations from keeping dollars as reserves and providing them with the option of holding their reserves in the form of international deposits at the International Monetary Fund instead. In practice, however, once foreigners had grown increasingly reluctant to accumulate dollar reserves and demanded

gold in exchange, the choice made by the US was to suspend convertibility and revert to flexible exchange rates, ushering in an era of instability.

A further consideration missing from HST is the fact that trade-offs may exist not only between the interests of different countries, but also between the various interests within the hegemonic (as well as any other) nation itself, i.e. that joint gains are rare even within one country, not just at the international level, and therefore not generalizable into the notion that a hegemonic nation provides public goods. In their analysis of international monetary systems, Broz and Frieden (2001) argued that national governments have two main kinds of choices to make regarding exchange rates, one concerning the regime under which the currency is managed (fixed or floating), and the other, the level of the currency ('strong' versus 'weak'), with different distributional implications and 'no reigning economic argument' as to what the 'optimal' choice would be (ibid., p. 319). Goodhart (2007) noted that, in the context of national monetary policy, it is possible to distinguish between internal, external and systemic stability, where the first refers to domestic prices, the second to the external value of the currency, and the third to the financial system. These dimensions are interlinked, but also irreconcilable in the context of short-term interest rates as the sole policy instrument, which allows policymakers to focus on either internal or external stability, but not both. In other words, a trade-off between different levels or aspects of stability can be observed in practical policymaking. A change in domestic power relations, political climate, and ideology within the hegemonic nation can realistically be expected to change the priorities of the hegemonic nation, and consequently, to also refract onto the international level, affecting the nature of the system led by the hegemon. A case in point is the shift from New Deal Keynesianism to McCarthyism in the US and the growing power of New York bankers in the Bretton Woods system. This domestic shift all but erased from the system the ambitious developmentalist goals that had been proposed by Latin

American officials during negotiations and supported by Harry Dexter White, and promoted instead a monetarist conception of development in Latin America (Helleiner, 2006).

The evolution of the Bretton Woods system as a whole was marked by a broader process of ‘hollowing out’ of Keynesian norms (Best, 2004) and their replacement with the neoclassical synthesis. This shift in economic ideas has been explained in connection with a gradual erosion of the egalitarian values that had been widespread in the international community in the immediate postwar period, when the memory of the war had still been fresh, making people more inclined to commit themselves to the ‘common good’ (Widmaier, 2014). This interplay between socio-historical context and economic ideas, in turn, influenced the preferences of policymakers and their responses to the stresses in the Bretton Woods system : preferences shifted away from cooperation in support of common wage, price and currency guidelines to more limited, non-cooperative technical solutions (Best, 2004; Widmaier, 2004; 2014), leading to the demise of the Bretton Woods system in the early 1970s. The faith in technical solutions has since morphed into overconfidence, which ‘obscures mounting pressures to instability and crisis’ (Widmaier, 2014, p. 237), making the international system even more dysfunctional. All this points to the fact that monetary cooperation and systemic stability are in fact contingent upon intersubjective understandings shared by the main actors in world politics in a given historical context. As Widmaier (2004, p. 435) pointed out, ‘intersubjective understandings themselves help to determine’, for example, ‘whether a currency is viewed as “hard” or “weak,” or whether a deficit is seen as “too large” to be financed’, thus influencing the overall degree of confidence in the system and hence the sustainability of the system as a whole. One cannot therefore speak of an ‘objective’ public good associated with the international system led by a hegemon. This raises further questions about whether there are any elements of world order more broadly that are inherently good or bad; this is a different line of debate, however.

For the purposes of this paper, taken together, the arguments in this section about changing and conflicting interests and their intersubjective bases highlight that once we begin to consider the normative and distributional aspects of world order – crucial questions such as ‘which order?’ (Snidal, 1985) and ‘*cui bono?*’ (Strange, 1994) – the premise of HST that stability is a public good in any system led by a hegemon breaks down. On the other hand, even at a very abstract level, where the possibility of different forms of hegemonic state and systemic features is not acknowledged, there is little evidence to support HST. Take, for example, Barry Eichengreen’s (1987)⁶ game theoretic exercise.

This tested the link between hegemony and stability by moving away from the original setting envisioned by Kindleberger (a world without a hegemon where non-cooperation is a dominant strategy because of the alleged public goods characteristics of international systems) to a situation where there already exists an established international monetary system akin to the Bretton Woods system. Eichengreen’s model included two countries, each with the choice to maintain parity (cooperate), thereby continuing to adhere to the system, or devalue (defect), taking the policies of its counterpart as fixed. Since this context involved prices (exchange rates), it was modelled as a Bertrand game, considering that countries’ decisions on whether to devalue are strategic complements (they mutually reinforce one another). A central assumption was that countries generally derive benefits from participating in the monetary system and incur costs upon abandoning fixed parity, such that they will choose to defect (shifting the system away from the initial Nash equilibrium) only if the benefits of adjustment via devaluation exceed the costs of abandoning fixed parity. These costs were further assumed to be constant over time, with both countries incurring them when either abandons fixed parity.

⁶ Eichengreen (1987) was one of the earliest critics of HST; his perspective appears to have changed in more recent years, however (see, e.g. DeLong and Eichengreen, 2013, where the authors appear to be in favor of hegemony as a way of reorganizing the world economy towards greater stability).

The gains from devaluation were assumed to diminish if one country was hegemonic (which for Eichengreen means more influential on, and at the same time, less sensitive to, the policies of its counterpart). This, in turn, meant that the hegemonic country would be less likely to devalue regardless of the choice made by its counterpart, because the cost of changing the exchange rate was assumed constant, whereas the benefits of devaluation were assumed to decline once a country's power increases. By contrast, the non-hegemonic country would be likely to retaliate to a devaluation by the home country. Consequently, even in the context of very strong assumptions in an abstract game theoretic setting which do not accurately capture the realities of international relations – stability understood exclusively in terms of maintaining fixed parity (despite wider unresolved debates about the advantages offered by fixed versus floating exchange rates and whether the former are more stable than the latter or vice-versa), defection costs assumed to remain constant over time, gains from defection assumed to be greater for non-hegemonic than for hegemonic nations, etc. – there is only very weak support for HST, in the sense that ‘a hegemon is unlikely to defect from an established international monetary system’ (Eichengreen, 1987, p. 12) but also unlikely to prevent other countries from doing so and thereby destabilizing the system. Of course, even this weak support for HST was not borne out by history⁷, considering that the official end of the Bretton Woods system came as a result of actions taken by the hegemonic nation itself, namely President Nixon's decision to suspend the US dollar's convertibility into gold in 1971.

In spite of these earlier rounds of criticism, HST has nevertheless ‘come to dominate the literature’ (Strange, 1996, p. 194). Susan Strange had made this comment decades ago, but it loses none of its relevance today. In fact, such has been the influence of HST that conventional

⁷ Eichengreen (1987) himself acknowledged the need to go beyond game theory and take into account historical realities. He continued his analysis by examining the concrete cases of Britain during the Gold Standard and the US during Bretton Woods, and concluded that, in terms of stability and adjustment mechanisms, collective (e.g.: of the European centre), rather than singular, hegemony proved more effective.

IPE now takes the link between hegemony and stability as a given, and defines a hegemon in a reductionist way to simply mean ‘stabilizer’. A case in point is the understanding highlighted by Fields and Vernengo (2013, p. 742): ‘they [hegemons] represent the existence of cooperation, in which a powerful actor in the world economy emerges to provide a ‘public good’ in an effort to overcome collective action problems’. Reductionist definitions of hegemony fail to acknowledge that the concept of hegemony long predates HST, and transform HST itself into nothing more than a tautology (the notion that a stabilizer will provide stability). The continued dominance of HST beyond literature on the US and the drawbacks of this are illustrated in more detail below via the case of Germany in the EMU.

6. The perils of HST-based analyses: the case of German regional hegemony in the EMU

Earlier criticisms of HST have largely been put to bed in more recent years, and inattention to the conceptual content of HST has permitted the heedless extension of a problematic understanding of hegemony *through* stability to cases of regional hegemony such as that of Germany in the EMU. While by no means intended as an exhaustive exploration of the literature on German hegemony in the EMU, this section engages with this literature in order to illustrate a crucial problem with analyses of regional hegemony that start from HST. Such analyses remain implicitly fixated on imageries of stability associated with the US at Bretton Woods as an ideal type, using such imageries as an index by which to assess whether other countries are hegemonic or not, and make prescriptions about how those countries should act in their particular zones of influence, instead of looking deeper into how those regional powers actually operate.

The first discussions around German hegemony in the EMU emerged in the context of German reunification in 1990 and questions raised about the role the unified country would come to play in Europe and in the EMU system under development at the time. Markovits and co-

authors (Markovits and Reich, 1991; Markovits, Reich and Westermann, 1996) asserted that (West) Germany had been hegemonic in the European Community (EC), reunified Germany would continue to be hegemonic in the EMU system, and that German hegemony was of a ‘benign’ nature in both instances. Using data on trade patterns starting in 1970, they (ibid.) argued that a high absolute level of German exports to the EC, a high market share, plus a growth rate of exports far exceeding that of its rivals (France, Italy, the UK) suggested Germany had been hegemonic in the EC in a sense compatible with definitions of hegemony ‘used by hegemonic stability theorists on a broader scale’ (Markovits and Reich, 1991, p. 20), i.e. with Keohane’s definition of hegemony introduced in section 4 above. They even claimed that, because the US had never accounted for more than 25% of world market share, whereas Germany’s export market share in the EC had been 27.8% at the time of reunification, Germany had been more hegemonic in the EC than the US in the Bretton Woods system. This, combined with the observation that Germany ‘pays the bill’ (as the main contributor to the EC budget) was taken to imply that Germany would remain hegemonic in the EMU once launched, and that this hegemony would be ‘benign’ (Markovits, Reich and Westermann, 1996). Like HST, upon which it is based, this conclusion focuses exclusively on the functions to be performed by Germany in the future EMU system (assuming they will remain the same as in the EC). It pays insufficient attention to the features of the system itself, such as the extra costs of adjustment involved in giving up domestic currencies, or the idea underlined in the MacDougall Report (Commission of the EC, 1977) that the EC budget (regardless of who is paying the most into it) is too small to support monetary integration.

The argument that Germany is a regional hegemon in the EMU, based on Keohane’s HST-inspired definition, resurfaced in Beverly Crawford’s (2007) book on foreign policy. There, the author argued that Germany exhibits three of the four ⁸components of material hegemony

⁸ Control over raw materials being the missing element.

underlined by Keohane: control over markets (Germany had been consistently surpassing its rivals in terms of EU exports between 1992-2002), control over capital (as the principal supplier of intra-EU FDI), and comparative advantage in the production of highly-valued goods (as evidenced by the share of manufacturing production in GDP, larger than in other European countries). She added that these three pillars of structural power give Germany the capacity to lead, and are combined with a willingness to lead, if we consider Germany's EMU integration to be a voluntary submission to supranational institutions in order to 'soften perceptions of dominance' (Crawford, 2007, p 170). Like Markovits, Reich and Westermann (1996), Crawford (2007) referred to EU budget contributions as an indicator that German hegemony is 'benign', but highlighted, on the other hand, an increasing tendency towards unilateralism in the context of Germany's domestic economy turning recessionary, to suggest gradual hegemonic decline, in line with HST.

Interest in the idea of German hegemony in the EMU has increased in the aftermath of the 2007-2008 financial crisis, paralleling the increased interest in the notion of US hegemony post-2008. In this context, a conflict of views has emerged between commentators who believe that Eurozone stability fundamentally hinges on Germany's willingness to take on a hegemonic role in Europe (see e.g. Matthijs and Blyth, 2011; The Economist, 2013) and those who, on the other hand, maintain that Germany has, in fact, acted as a hegemon at the European level, but that this has had destabilizing (rather than stabilizing) effects, in the sense that Germany has used its power to place the burden of adjustment onto other countries, most notably those in Southern Europe (Bischoff and Detje, 2012; Currie and Teague, 2017). This controversy arises from the fact that, as mentioned earlier in the paper, alternative meanings and interpretations of the term 'hegemony' are in use. Nonetheless, the former perspective – the notion that Germany is presently not hegemonic in the EMU, but should be, in order to stabilize the EMU, which is based on the HST concept of hegemony – is the more prevalent.

Matthijs and Blyth (2011), for example, wrote that Germany is not hegemonic in Europe because, like the US during the Great Depression, it has failed to provide during the crisis the five public goods enumerated by Kindleberger (1973; 1986; see section 3 above). Instead of creating a market for distress goods where crisis countries could sell their products, ‘Germans have been enthusiastically selling their manufactured goods to the periphery’ (ibid., no pagination). Instead of counter-cyclical lending, especially to Southern Europe, German lending has been pro-cyclical. Instead of upholding exchange rate stability, Germany had broken the rules of the system, namely the Stability and Growth Pact (SGP) – fiscal rules allegedly introduced to underpin the (irrevocably) fixed exchange rate. Instead of providing macroeconomic coordination, Germany has imposed its policy preferences onto other countries. Finally, Germany has not had the capacity to act as lender-of-last resort either. The authors concluded that ‘to solve the European crisis and avoid repeating the mistakes of the late 1920s and the 1930s, those sitting in Berlin and Brussels should (...) read Charles Kindleberger’ (ibid., no pagination). Adapting Kindleberger’s claim that ‘the danger we face is not too much power in the international economy, but too little’ (Kindleberger, 1981 p. 253) to the case of Europe, Matthijs and Blyth (2011, no pagination) asserted that ‘the problem today is not German strength but German weakness – a reluctance to take up its hegemonic role’. A similar conclusion was reached in a later article by *the Economist* (2013), which argued that Germany as the most powerful country in Europe, ‘the one country with the capacity to lay out a strategic vision for the single currency’s future is unwilling to do so’, echoing Kindleberger’s (1973) assertion that the instabilities of the 1920s had been due to the unwillingness of the US to step up as leader.

While Matthijs and Blyth’s analysis rightly highlights the centrality of Germany in the EU at present, as well as the fact that Germany should not ‘be unseating democracies and enforcing deflation’ (ibid.), it, like HST, takes the public good character of stability as a given. A

tendency to defend the existing order (in this case, the EMU framework), typical of HST, is also discernible from the emphasis on the fact that Germany is not hegemonic because it had broken some of the rules of the EMU system. The appropriateness of those rules deserves greater scrutiny, and, in any case, Germany had broken the SGP rules *before* the crisis, reverting to the position of the European country with the best fundamentals post-2008, which, on HST's own terms, should then mean that Germany is hegemonic in the EMU at present in at least one respect.

Perhaps the most popular phrase associated with Germany post-2008 is that of the 'reluctant hegemon'. This was first introduced by Paterson (2011), developed in Bulmer and Paterson (2013) and Bulmer (2014), borrowed also by the *Economist* (2013). A reluctant hegemon is described as one 'whose economic leadership is recognized but politically contested' (Bulmer and Paterson, 2013, p. 1387). Three sets of political constraints are assumed to be of relevance here (*ibid.*): domestic politics, legitimacy issues, and, like in Matthijs and Blyth's (2011) analysis summarized above, the failure to provide the public goods highlighted by Kindleberger (1973; 1986). This latter aspect is particularly problematic, because the fact that Germany is not providing the public goods enumerated by Kindleberger means only that HST fails (not necessarily that Germany is not hegemonic), given that the concept of hegemony existed long before links between hegemony and stability began to be drawn. Furthermore, the flawed equation of hegemony with stability is implicit in the discussion of the other two factors listed as constraints on Germany's exercise of hegemony. Generational change is mentioned as a domestic constraint in the sense that younger generations, raised under conditions of prosperity, allegedly see less and less of a need for a hegemon to provide stability, whereas legitimacy issues are thought to arise precisely because Germany is not providing stability. Nevertheless, the same understanding of hegemony through stability is replicated in Bulmer (2014 p. 1253),

who argues that Germany is not (fully) hegemonic, partly because it is ‘scarcely characterized by a determination to offer stability through leadership’.

On the whole, then, the understanding of hegemony through HST, with ‘hegemon’ implicitly defined in a reductionist manner to denote ‘stabilizer’, has led to arguments that Germany had been a hegemon in the EMU prior to the 2007-2008 crisis, but not during the crisis or its aftermath. Indeed, this is the conclusion explicitly reached by Morisse-Schillbach (2011, p. 27), who wrote that Germany had been a benign hegemon before the crisis, but this changed afterwards, with Germany now ‘a major player in this gamble of antagonizing Europe’, acting unilaterally. Pre-crisis sources describe Germany as hegemonic based on Keohane’s (1984) definition, which makes it easy to ‘measure’ hegemony and even to compare ‘degrees’ of hegemony, but which, as argued in section 4 above, is actually a snapshot of the US at a particular point in time, combined with the fact that the EMU had been characterized by relative stability prior to 2008. The present context of instability, by contrast, is taken as evidence of Germany’s failure to provide the public goods that Kindleberger argued the US had provided during Bretton Woods, or else of an unwillingness to lead such as that which had characterized the US during the Great Depression, and hence of a lack of hegemony.

The implications of the theory’s hollow conceptualization of hegemony and American ethnocentrism thus become evident: analyses of German hegemony look for similarities and differences between Germany and the US during Bretton Woods as some sort of index, instead of looking deeper into how the German state operates in a contemporary setting. That Germany in the aftermath of the 2008 crisis is not the US circa 1950 is an irrefutable observation; but this, by itself, is not sufficient as a basis upon which to derive either positive or normative statements about German hegemony in the EMU, given that hegemons may take different forms, and neither is the increased instability in the EMU post-2008. Rather than speculating about how hegemony should function to preserve the existing order, scholars preoccupied with

the role of Germany in the EMU would be better served by focusing on the nature of and conditions behind Germany's leadership position instead, acknowledging the possibility of the existence of 'a plurality of forms of state' (Cox, 1981 p. 127) and hence a plurality of state-led orders, and that a change in priorities does not necessarily imply hegemonic decline, but rather a change in the *nature* of hegemony (Strange, 1996).

7. Conclusion

This paper has revisited the fallacies in hegemonic stability theory in light of the theory's renewed popularity in the context of debates around global and regional governance following the 2007-8 crisis. Specifically, it provided a critique of HST from a conceptual perspective, thereby addressing the issue of a lack of discussion around the concept of hegemony in contemporary literature connected with HST.

The paper showed that HST, in its preoccupation with defending the order associated with US leadership in the Bretton Woods system at a time marked by concerns over US decline, linked stability with hegemony axiomatically, without having previously developed a clear concept of hegemony with which to underpin the theory, in contradistinction to earlier critical theories of hegemony. The hollow, *ex post* conceptualization of hegemony in HST has allowed for imageries of stability associated with the US during the Bretton Woods years to be generalized into a professed causal link between hegemony and stability (an understanding of stability as a public good whose provision is contingent upon hegemony). This is, in fact, a tenuous link at best, considering the existence of changing and conflicting interests between and within states, interests which are based on intersubjective – rather than objective and unvarying – factors. As evidenced by literature on German regional hegemony in the EMU, the lack of attention to the foundational content of HST has led to an unwary extension of a problematic understanding of hegemony *through* stability to cases of regional hegemony. This has resulted in analyses that

fail to meaningfully engage with contemporary questions around hegemony and regional governance, because they implicitly look for similarities and differences between regional powers and the US circa 1950 instead of focusing on present realities.

Hegemony is an important concept for understanding the world in which we live and the power relations at its core. For this very reason, HST as a theory which is based on a hollow conceptualization of hegemony which fails to consider the fabric of hegemony (its sources and different forms, the uses to which it is put, the interests it serves, and how it evolves) needs to be laid to rest once and for all.

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