

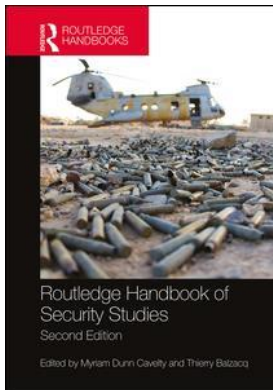
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INTERNATIONAL POLITICAL ECONOMY AND SECURITY

Heikki Patomäki

International Studies includes a long and rich tradition of studying both the political economy conditions of war, peace, and security, and the impact of security concerns and war on economic developments. International Studies has also been characterized, however, by an ever more institutionalized division of labour among its sub-fields (Kirshner 1998; Homolar 2010). Hence, several well-known textbooks and basic introductions to international or global political economy omit questions of peace and war, for the most part discussing security only occasionally or just in passing (Frieden and Lake 2014; Ravenhill 2014; Stubbs and Underhill 2005).

Since its inception in 1994, *The Review of International Political Economy* has published a mere handful of substantial articles that explore security-related issues. The few papers that have been published focus on the hegemony of the United States and its consequences for international security and global governance (Mawdsley 2007; Pieterse 2007; Stokes 2014; but see also Abdelal 2013; Vlcek 2012). *International Organization* publishes papers both on security and political economy. In the fifteen to twenty years, however, most of its articles have been 'either/or' oriented rather than integrative in their approaches (for a couple of notable exceptions, see Brooks 2013; Rowe 1999). What has been relatively common in political economy textbooks and various edited volumes is to cover security or war and peace in one or two separate chapters (e.g. O'Brian and Williams 2013; Smith et al. 2011). While these kinds of textbooks and anthologies indicate that security is a relevant political economy topic, they also encourage seeing society in terms of rather disjointed sectors, with only limited overlap.

The same applies, *mutatis mutandis*, to Security Studies. Whether we are talking about more narrowly defined strategy (Baylis et al. 2007), Security Studies in the broad sense (Collins 2007) or Critical Security Studies (Booth 2005; Fierke 2007), political economy is either omitted or figures prominently at most in a chapter or two. The best-known Anglo-American journals in the field, such as *International Security* and *Security Studies*, are equally scant of political economy approaches to security issues (for a recent interesting exception, see Solingen 2014), leaving aside occasional discussions on US military-economic capabilities.

The tradition of studying political economy of war and peace and security had begun by the late eighteenth century. In spite of the evident continuities (and repetitively recurring rhetorical moves) in these debates, new arguments and conceptualizations have evolved. Over time, many claims and hypotheses have been subjected to empirical tests, especially during the last few decades. This chapter has four parts. The first gives a short introduction to basic liberalist thought, with

free commerce as its centrepiece. The second turns to the nineteenth-century challenges to the Kantian cosmopolitan principles, namely national political economy and Marxist political economy. The third section focuses on classical theories of imperialism, classical realism, and Keynesian thinking on peace and war, outlining dynamic interconnections between economic (mal)developments and major war. In the fourth, I discuss literature that has attempted to test different claims and hypotheses, with emphasis on applying classical thought to the contemporary world.

Liberal theories of markets and interdependence

Since Immanuel Kant's *Perpetual Peace*, the idea of harmony of interests in free markets has been taken as a generator or guarantee of, and thus strategy for, peace. Kant wanted to replace the eighteenth-century idea of 'balance of power' with the more peaceful idea of 'spirit of commerce' (Kant 1983). Kant posited three mechanisms of peace: (i) interdependence through free trade, and the related civilizing effect of commerce, (ii) the republican constitution of states and (iii) prohibition against financing wars by means of state debt.

Of Kant's three mechanisms, it is free commerce that has usually drawn most attention. After Napoleon's wars, liberal reformers started to promote free trade as a pacifying force. In Britain, Richard Cobden (1804–65) advocated *laissez-faire* and free trade as a means to international peace. Cobden became a celebrated statesman after years of difficulties and struggle. The theoretical basis for his advocacy came from classical political economy. The case for free trade had been put forcefully by David Ricardo in his famous work *Principles of Political Economy and Taxation* (1817). Ricardo professed the benefits of free trade in terms of comparative advantage. International division of labour can be beneficial to all parties even when there is no absolute advantage, that is, capacity of one party to produce particular goods at a lower absolute cost than another. Free trade is a universal good of the whole world.

Following the rise of neoclassical economics, the Ricardian trade theory was reformulated in terms of marginalist methodology as a general equilibrium mathematical model of international trade (Ohlin 1952/1933). The so-called Heckscher–Ohlin model assumes identical production technologies and maintains that different proportions of factors of production (capital and labour) suffice for comparative advantage. Within this framework, it can be admitted that free trade may redistribute wealth and thereby harm particular interests. On the whole, however, free trade is argued to be beneficial to all parties.

Two challenges to liberalism

National political economy

The US was at war with Britain in 1812. After the war British factories were overwhelming American ports with inexpensive goods. Like his US predecessors (such as Henry Clay 1777–1852), Friedrich List (1789–1846) reacted critically to the unique power and economic position of industrialized Britain, which also constituted a potential military threat. List was a classical republican thinker who developed ideas about freedom, democracy, and prosperity of citizens in the modern context of industrializing world economy. List protested against the cosmopolitan principles of classical liberalism and the absolute doctrine of free trade. In his principal work *The National System of Political Economy*, List (1885[1841]) insisted on the special requirements of each nation according to its circumstances and especially to the degree of its development.

List was also arguing for a long-term perspective and systematic economic planning. Adam Smith's 'invisible hand' was neither generalizable nor did it describe accurately the actual practices

of the British state. Statesmen should be prepared to take the long view and bring into existence through legislative and administrative action the conditions required for the industrial progress of the nation. This meant, among other things, protective tariffs in the early phases of industrialization; active engagement and public investments in the physical infrastructure (canals, railways, commercial fleet, navy); focused attempts to improve the general level of education and other prerequisites of scientific research and technological development within the country; and active colonialism following the model of the British in India (i.e. creating a core-periphery pattern of trade). It is easy to see how the principles of Listian national economics could lead to a conflict with those who profess the Ricardian idea of free trade as a civilizing force and universal good of the whole world.

Marxian political economy

Marx insisted that the essential conflict in capitalist market society concerns social classes rather than sovereign states. Marx argued that inequalities, property, state-formations, and organized violence have been historically linked, in different historical phases in different ways. Once bourgeois civil society has seized political power in industrializing capitalist market societies, and once the relationship between owners of private capital and wage-labourer has become polarized, state power starts to reflect to a significant degree the interests and visions of private property understood as a power relation, in particular as a relation of command over the labour of workers.

For Marx, the emergent concept of security should be understood as the ‘supreme social concept of bourgeois society [. . .] expressing the fact that the whole of society exists only in order to guarantee to each of its members the maintenance of his person, his rights, and his property. By the conception of security bourgeois society does not raise itself above its egoism. Security is rather the confirmation of [or insurance for] its egoism.’ (Marx 2008: 46). Marx’s key claim was that ultimately security is about the maintenance of life, private property, and possessions. Security is a conservative notion, in the sense of being protective of the already existing and possessed things and values (Marx 2008/1847: 80). International security is an outward extension of the same principle. For Marx, however, the use of force can also be creative in a sense of generating the basis for the expansion of capitalism and world markets (Marx 1906: 823–4).

Gradually, Marx’s ideas evolved into a general theory of war and peace. In the absence of God and his commands, Marx envisaged, it is possible to have an organized and peaceful society by abolishing private property and related particular interests. Wages and profit, working class and the class of capitalists, ‘stand in the most hostile, in an inverted, relationship towards each other’ (Marx 2012: 110). Like Rousseau before him, Marx assumed that as species-beings, humans are cooperative by their nature. It is the emergence of asymmetrical and exploitative institutions that has alienated humans from their true potential for voluntary cooperation. Once that hostility and conflict has been overcome, once harmony has been (re-)established, perpetual peace will follow. Socialism means peace; communism even more so. His ideas inspired subsequent theories of imperialism and war, although many of them attributed the problem to particular sections of private interest, or various fallacies of composition, rather than to the notion of private property per se.

Economics and war

Classical theories of imperialism

John A. Hobson was perhaps the first to systematically articulate connections between underconsumption at home and imperialism, nationalism, militarism, great power hostilities, the

armaments race, and the risk of a major war in the world system as a whole. Hobson (1988/1902: 11–13) was also among those few who correctly anticipated the possibility of a major war – and he did so more than a decade before the summer of 1914. Hobson's starting point was the proto-Keynesian notion of underconsumption. Industrialization creates ever more capacity to produce, but wide inequalities suppress consumption at home. Economic downturns aggravate the problem, which makes capitalist states turn forcefully outwards in search for markets for their industrial goods.

Hobson argued that aggressive imperialism tended to foster animosities among competing imperialisms of the modern great powers. The scramble for Africa and Asia evoked the formation of new alliances and drove all the concerned states to expend an ever-growing share of their resources upon military and naval equipment. This led to what Hobson called 'the sliding scale of diplomatic language' with a characteristic new cynical vocabulary of 'sphere of interest', 'sphere of influence', 'suzerainty', 'protectorate', and so on. The process was reciprocal. Imperial Britain was provoking attitudes of enmity in other states and 'since these other nations are not only eager to do their share, but by their jealousy at our undertaking their work continually threatens to wreck the peace in Europe' (Hobson 1988/1902: 70). Imperial expansion had multiplied the number of 'sensitive spots'.

Theories of imperialism take us a long way towards explaining the developments that led to the First World War, yet vary in their accounts of the key causal mechanisms and processes. Apart from Hobson, also Karl Kautsky, V. I. Lenin, Joseph Schumpeter, and Thorstein Veblen proposed different causal hypotheses and told different stories about imperialism and the war, to an extent because of their different ethico-political aims and horizons (for a critical overview and assessment, see Patomäki 2008: 36–58). The diversity of explanatory accounts notwithstanding, the classical theorists of imperialism also agreed on a lot of things. They all saw a specific elite mentality and related practices and institutions, as well as particular vested interests in capitalism, as important components in the complex that produced both imperialism and the war.

Classical political realism: a new critique of the 'harmony of interests' thesis

The Great War was an unprecedented catastrophe, prompting revolutions, national uprisings, and further democratization in many countries. It also created a momentum for liberal peace activists. The establishment of the League of Nations was a step towards realizing Kant's proposal for the conditions and guarantees of a lasting peace in Europe and the world. Its establishment was followed by attempts to restore free trade and the gold standard. Of all the classical theorists of imperialism, this was the heyday of the liberal Schumpeter – except in Russia, where Lenin reigned.

In his analysis of imperialism, Schumpeter accepted the basic conceptions of neoclassical economic theory (which he later criticized in his mature economic theories). The central idea is that perfectly competitive free markets are stable and optimally efficient. Schumpeter also relied upon Ricardo's 'comparative advantage' argument for free trade. Schumpeter's analysis of war and imperialism was thus theory-driven and largely based on the liberalist idea of a harmony of interests in competitive *laissez-faire* markets (Schumpeter 1989: 100).

However, liberal reformism failed to achieve perpetual peace. During the great depression, world trade collapsed, authoritarian governments rose to power, and Germany, Italy, and Japan left the League. The world was in great depression and a new major war – in effect the continuation of the First World War – was already in sight. According to E. H. Carr (1964/1946: 41–62), the 'harmony-of-interests' thesis of classical liberal political economy described an economy of small producers and merchants that ceased to exist with the industrial revolution.

For Carr, no set of allegedly universal principles, such as the ‘invisible hand’ of competitive markets, can guarantee domestic or international peace. Actions grounded on assumptions of utopian harmony tend to take part in creating, reinforcing, or deepening conflicts, because universalist utopias often mask particular identities and interests as universal, i.e. as necessarily shared by all. Carr was not opposed to all utopias, however. For Carr, the cosmopolitan world community based on the recognition of equality and rule of law would be a more adequate basis for a global utopia (Carr 1964: 13).

Thus, Carr was advocating the idea of open-ended, peaceful changes to replace various utopian proposals for liberal harmonious order, which he also argued to be ideological. Instead of presumptions of automatic harmony, there would need to be political mechanisms for resolving real conflicts by means of peaceful changes (Carr 1964: 208–23). Carr thus applied the basic republican idea to international relations: in a democratized international society, disputes could be resolved without resorting to the use or threat of coercion.

Keynes on the conditions of international peace

John Maynard Keynes participated in the 1919 Versailles negotiations. Critical of the then-prevailing wisdom, he developed inclusive schemes for rehabilitation of credit and economic life in Europe and even a small-scale ‘Marshall Plan’ to be implemented after the war. Keynes was especially vocal in opposing the imposition of excessive reparations on Germany. Keynes argued that as the world economy is highly interdependent, ‘the European problem is in reality a single whole’ (cited in Markwell 2006: 65–72).

Keynes was proved right. The Treaty of Versailles turned out to be catastrophic. It became increasingly clear with the great depression, the rise of fascism, and the Second World War that one-sided punitive justice and reliance on mere free markets can be downright counterproductive. In the early 1940s, Keynes had a new chance. His plan, developed in various steps in 1941–3, addressed the key problem of global economic imbalances between nations. Keynes’s starting point was to assume a maximally generalizable perspective on the future global political economy, in order to avoid fallacies of composition and other particularistic illusions. He envisaged the global political economy as a single whole: he wanted to avoid political struggles and asymmetrical situations where specific countries are ‘put into a position of particular obligation to others’ (Keynes 1980/1941: 46). Obligations should thus be made systemic and financial positions defined against the rest of the world, not against individual countries.

Keynes’s proposal for an international clearing union was meant to enable a ‘new deal’ within every country, including full employment; this also included tentative elements for a global new deal. Thus, global funds should be established for the global common good by means of substantial levies on surplus countries, and by means of creating global money. With common global institutions, the problems that individual states tend to face if left alone could easily be overcome. A crucial part of the design for an international clearing bank was the creation of a central bank currency called a *bancor*, through which countries would settle their exchange balance. In Keynes’s proposal, *bancor* would have a fixed (but not unalterable) value defined in terms of gold. The central banks of all member states would keep accounts with an international clearing bank ‘through which they would be entitled to settle their exchange balances with one another at their par value as defined in terms of *bancor*’ (Keynes 1980/1941: 72). Keynes proposed measures to prevent credit and debit balances piling up, involving a levy on both credits and debits.

However, despite its impartiality and cosmopolitan aspirations, Keynes’s own solution was ultimately unstable too. His proposal was based on a variation of the nineteenth-century liberalist dream of a utopian harmony. Keynes argued that although *laissez-faire* markets do not ensure any

automatic harmony of interests (or collectively optimal outcomes), with proper collective institutional arrangement the international economy can be made a positive-sum game for all parties. It is important to understand how a particular but mostly implicit theory of justice constituted Keynes's global vision: justice concerns opportunities, positions, rewards, and punishments. They are justly distributed if all states are treated equally in Keynes's definition, if socio-economic inequalities are limited and opportunities sufficiently equal within societies (for a discussion of problems of different theories of global justice, see Patomäki 2006).

The theory of hegemonic stability

Time and again political economy theories of peace and war have been grounded on the assumption that harmony can prevail in human society. The presumed harmony is then associated with peace. Nationalists such as List may have been exempt from this assumption, first and foremost because they have been interested in the development and security of their own nation only. Carr's assumption of never-ending political conflict, and his republicanism – the combined ideas of civic virtues and of resolving conflicts by means of peaceful changes – comes closest to overcoming this assumption in a generalizable fashion. In the 1950s, Karl Deutsch et al. (1957) developed this Carrian idea into a theory of security community, characterized by the reliable, institutionally guaranteed possibility of resolving conflicts by means of peaceful changes.

A new variation of the 'harmony-of-interests' thesis evolved in the 1970s in the US. The main version of the theory of hegemonic stability accepts the basic liberal and economic account of the thesis, but argues in line with realpolitik theories that relations between states can be conflictual. The first premise is thus that free trade and maximal openness in investments and finance are beneficial to everyone, albeit not equally so (Krasner 1976: 318). Liberal international order is defined as a public good, provided by the leading of a hegemonic state such as Britain or the US.

The global public good was supposed to include the enforcement of property rights, resolution of disputes, stability, and security (Gilpin 1981: 16, 30, 34; Gilpin 1987: 86–7; Kindleberger 1981: 247). The theorists were not united about the nature of the good. Whereas, for instance, Kindleberger originally stressed moral responsibilities and the need to overcome temporary asymmetries and counter business cycles, Gilpin has proposed a sort of neo-imperialist interpretation, in which the leading state also collects revenues from others. Not everyone agrees, however, that a hegemonic state is needed for cooperation. Multilateral cooperation may be possible also by non-hegemonic means (Keohane 1984).

Putting political economy theories to the test

It goes without saying that discussions about the validity of political economy theories of peace and war, and security more generally, have been complex, interweaving philosophical assumptions, conceptual frames, normative aspirations, historical understandings, and empirical studies of varying degrees of generality. Attempts to empirically test theories – or hypotheses drawn from them – have often focused on the connections between commercial liberalism, interdependence, and peace (see also Chapter 2, on liberalism, in this volume). Many of these studies have taken for granted the categories of neoclassical economics and framed the questions and operationalized their hypotheses accordingly, in order to test them against data.

Testing different claims and hypotheses

While frequently finding some evidence for the liberal-capitalist thesis, the search for invariant connections (correlations, explanatory factors) has turned out to be hard even within the

liberal-economistic parameters. Further distinctions and auxiliary hypotheses must be made to account for the lack of simple or non-changing regularities. For instance, Schneider (2014) distinguishes between different cases of the freedom of commerce, internally and externally. Internally the distribution of income, and externally the nature of the traded goods, are among the factors that shape the outcome. Moreover, in debates about the merits of the thesis of capitalist peace, many liberal scholars argue that ultimately what matters most for peace is democracy rather than trade (Dafoe et al. 2013; Lee 2013). Because the democratic peace hypothesis is beyond the scope of this overview, suffice it to say that it too has been contested, despite solid empirical support for it (for current assessments of the problems of the democratic peace hypothesis, as well as for criticism of its misuse in political practice, see Barkawi 2015; Ish-Shalom 2013).

On the other hand, unstable industrial growth and trade in capitalist market economies have also been found to be potential causes of conflicts, arms races, and ultimately war. From the ‘lateral pressure’ theory of Choucri and North (1975) to the reinterpretation of the consequences of the Stolper-Samuelson theorem by Rowe (1999),¹ scholars have found empirical data corroborating assumed connections between capitalist market expansion and war. The most important case supporting these conclusions remains the First World War. The available historical evidence about the war can be plausibly read from the point of view of classical theories of imperialism, by synthesizing their basic insights with explanatory models drawn from post-Keynesian economic theories, theories of path-dependence etc. (Patomäki 2008: Chapters 2 and 3). Likewise the most plausible explanation of the great depression – which enabled the rise of National Socialism in Germany – seems Keynesian too (Galbraith 1972; Minsky 1982), although Friedman and Schwartz (1971) provide a widely cited competing liberal account, blaming erroneous central bank policies for the great crash and consequent depression.

A look into the future

The lessons of history are relevant. It can be argued that the current neoliberal era resembles in some ways both the pre-1914 era and the 1920s (Patomäki 2008).² The biggest global financial crisis since the 1930s occurred in 2008–9, indicating the similarity of underlying processes, especially all-encompassing financialization (Rasmus 2012). Kirshner (2014: 47) complements the ‘from-economy-to-politics’ accounts with the plausible corollary that ‘the relatively benign international political environment in 2007–8 compared with the intense security dilemma of the inter-war years were also essential in not making a bad situation worse’. The result of the 2008–9 financial collapse could have been a deep worldwide depression, but since causation works both ways, reasonably co-ordinated responses by contemporary ‘big governments’ and central banks as lenders-of-last-resort mitigated the worst effects.

One of the widely cited results of recent empirical studies is that income distribution conditions the internal peacefulness of states. This resonates with the basic assumption of under-consumption theorists and post-Keynesian economists, according to which the propensity to consume is higher among the lower-income groups. The well-off can save more of their incomes and accumulate wealth. Thus increasing inequalities imply a lack of sufficient aggregate demand in the system as a whole. Insufficient domestic demand is a problem, which states can subsequently try to export to other states. By thereby relying on a fallacy of composition, however, states risk potential conflicts with other states. Similarly, Piketty (2014; see also Stiglitz 2013) suggests that rising inequalities of income and wealth, particularly in the OECD world but also elsewhere, matter from the point of view of international security.

Piketty maintains that in capitalist market society the trend towards increasing inequalities is difficult to reverse. Historically, only major shocks such as world wars, interwoven with

processes of democratization, have been sufficient for invoking progressive taxation and other measures to reduce inequalities. We may also reverse Piketty's question, however: what will the concentration of capital and the rising importance of past and inherited wealth mean for the likelihood of a major politico-economic disaster? Piketty maintains that the developments we are now observing are likely to erode democracy. The concentration of capital can reach very high levels – 'levels potentially incompatible with the meritocratic values and principles of social justice fundamental to modern democratic societies' (2014: 26). Are these high levels also incompatible with democracy? What are the consequences of de-democratization, if that is the outcome of the process of rising inequalities?

There are three main reasons why these developments would increase the likelihood of major economic and political shocks (Patomäki 2014). First, they strengthen the relative power of those actors who are predisposed to disregard Keynesian economic policies needed to ensure full employment and steady economic developments. Famously Kalecki (1943) pointed out that business leaders and capitalists wish to create circumstances in which (i) the success of policies depends on their confidence; (ii) the scope of free markets is maximized; and (iii) hierarchical power relations in the workplace are ensured. When they get what they want, we should expect less economic growth.

Second, within a slackening growth-trend we should also expect to find increasing concentration of capital and wealth, with characteristically Veblenian effects: oligopolization or monopolization of world markets, reducing the scope for democracy; and bigger economic oscillations with larger amplitude. One of the overall upshots is that we should expect a significant increase in the likelihood of major economic crises and shocks, often resulting from boom-and-bust cycles in finance, but equally through other causal mechanisms.

Third, de-democratization and the related tendency for turning political issues into questions of security – repeatedly leading to enemy-construction – are likely to generate and aggravate antagonistic relations with different others. For instance, the 'what is good for us must be good for you' attitude can mean imperial involvement in the development of those regions that are either lagging or falling behind or actively resisting the prevailing direction. However, as Piketty stresses (indirectly echoing the economic nationalism of Clay and List), when countries face the adverse consequences of free market globalization, some of them can also respond by turning to nationalism and protectionism – and to measures which are unacceptable for those who defend free-market globalization and its quasi-constitutional guarantees. These kinds of juxtapositions can all too easily pave the way for the escalation of conflicts, even increasing the likelihood of major political shocks such as a new world war.

In sum, the evidence suggests that there is growing potential for outcomes capable of defeating the liberal hope for perpetual capitalist peace. This concern is related to the debate about the limits to growth and potential for resource wars, even though we know that resource scarcity and environmental problems can also induce cooperation among states (Dinar 2011). Various feedback mechanisms further complicate the picture. For instance, the US has financed its military interventions and wars not with tax raises, but with deficit-spending and debt. This has augmented financial booms and busts, and led to the erosion of good will on the side of the US partners, allies, and creditors (Oatley 2015). Thus, the financial power of the US has supported its military power, while simultaneously destabilizing the world political economy.

Conclusion

Despite tendencies towards specialization and fragmentation in the field of International Studies, research on the political economy of peace and security has not only endured but evolved.

Although it is true that studies on this problematic have been unable to identify any strong and uncontested invariances, or strictly falsify any of the main approaches, these studies have nonetheless been informative. We also learn negatively, through failed attempts.

First, various empirical and historical studies have underlined the methodological notion that search for invariant regularities in social sciences is futile. The real world is characterized by multiple, over, and plural determination and thus causation is complex. Moreover, the world is not only complex but – despite continuities at different levels – also changing.

Second, these studies have rendered no unequivocal support for any of the political economy utopias of harmony (liberal, Keynesian, Marxian, neorealist). This negative result has served to strengthen the plausibility of the Carrian approach, according to which politics is about conflicts and power relations, and thus the best chance for peace is to make civilized changes possible through adequate institutional arrangements. Post-Keynesian economic theories may be able to provide good explanations of politico-economic outcomes in many contexts, and the post-Marxian insight about the nature of security may remain valid, but no assumption of ultimate harmony is sustainable.

A cause of concern is the rising trend of inequalities and increasing reliance on free markets, spelling a return of the past. Especially after the end of the Cold War, the international context has been more benign and cooperative than it was in the decades preceding the First World War or during the interwar era. Yet diplomatic discourse has gradually declined, a new geopolitical orientation has gained ground, and military expenditures have once again risen. This is in line with the hypothesis that the capitalist market economy is not inherently peaceful, but can give rise to processes of securitization and enemy-construction. Cooperation among states, and organizations such as the EU, remains possible, but unless the background trends and tendencies are rapidly changed, a new world historical catastrophe looks increasingly likely.

Notes

- 1 The Stolper-Samuelson theorem is a basic theorem in Heckscher-Ohlin trade theory and concerns income distribution among factors of production. The theorem states that a rise in the relative price of a good will lead to a rise in the return to that factor which is used most intensively in the production of the good, and conversely, to a fall in the return to the other factor. According to Rowe, these changes can also have security implications.
- 2 There has also been some discussion on the relevance of the pre-1914 analogy especially to the situation in East Asia, where China is seen as the rising power and challenger of the existing order, as Germany was in Europe in 1914. As Graham T. Allison (2012) argues, ‘In 11 of 15 cases since 1500 where a rising power emerged to challenge a ruling power, war occurred.’ For discussions, see Krause 2014.

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