

Unthinking Hegemonic Cycles

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1. The Concept of Hegemonic Cycles: A Failed Attempt

Today, Immanuel Wallerstein and his World-System Analysis (WSA) is more or less considered as just another page in the textbook, and used as rather an easy target of criticism with which to start one's own argument. However, while many commentators denounce his economic determinism, Eurocentrism, and pseudo-scientific usage of "system", there are rather few social scientists, especially in the field of international relations, who come up with alternative historiographical framework in which the origins and processes of our international system (international society, global community, or whatever we call) is contextualized. Loose idea of the modern world-system, which emerged in the long 16th century, expanded itself to be global by the end of the 19th century, and has been undergoing some sort of structural transformation for these few decades, is still vaguely and tacitly assumed among academia as well as international political discourses¹.

This is essentially because WSA has been criticised *externally*. Most critics only argue what is missing in WSA, saying Wallerstein ignores or reduces non-economic factors, non-European agents, and/or this and that particular historical instances which could at least potentially subvert the framework of the modern world-system.

Indeed, most of these external criticisms have, admittedly, their points. But the problem about WSA does not simply lie in what WSA excludes from its perspective², as it is hardly meaningful to think of simply transplanting those ignored factors into the historiography of WSA.

Rather, the problem is that the concept of the modern world-system has been overstretched, traversing different geo-historical contexts. To look back, the original idea of modern world-system had double edges: on the one hand, it tried to explain the (supposed) "transition" from feudalism to capitalism in

¹ The still-remaining myth of 1648 is a part of the symptom. See Benno Teschke (2003), *The Myth of 1648: Class, Geopolitics, and the Making of Modern International Relations*, New York: Verso

² Actually, especially since 1990s, Wallerstein has been trying to articulate these "ignored" perspectives with WSA.

the so-called long 16th century, and on the other hand it tried to deconstruct the Cold War mode of ideological dichotomy of East/West confrontation by contextualizing it in the deeper structure of North/South relation. In other words, it tried to explain both the origin and the current (terminal) diagnosis of the system in which we live at the same time. But there is little substantive explanation for the actual historical processes between the origin and the supposed end of the modern world-system.

Of course, his unfinished series of *The Modern World-System* were supposed to fill this. However, in spite that it was originally planned to be four volumes, only three volumes have been published: the first volume³ covers the emergence of the European world-economy in the long 16th century (c. 1450s to 1640s); the second⁴ covers the consolidation of European world-economy from 1600 through 1750; the third⁵ covers what he calls the second era of great expansion of the capitalist world-economy from 1730-1840s.

Actually, the problem is not that the fourth volume is still yet to come but rather that the published three volumes already failed to realize the original plan. In the introduction of the first volume, Wallerstein explains the structure of his work as follows:

This first volume will deal with the origins and early conditions of the world-system, still only a European world-system. The approximate dates of this are 1450-1640. The second volume shall deal with the consolidation of this system, roughly between 1640 and 1815. The third shall deal with the conversion of the world-economy into a global enterprise, made possible by the technological transformation of modern industrialism. This expansion was so sudden and so great that the system in effect had to be recreated. The period here is roughly 1815-1917. The fourth volume will deal with the consolidation of this capitalist world-economy from 1917 to the present, and the particular "revolutionary" tensions this consolidation has provoked.⁶

Compared with this original plan, the actually published three volumes only

³ Immanuel Wallerstein (1974), *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*, New York: Academic Press

⁴ Immanuel Wallerstein (1980), *The Modern World-System II: Mercantilism and the Consolidation of the European World-Economy, 1600-1750*, New York: Academic Press

⁵ Immanuel Wallerstein (1989), *The Modern World-System III: The Second Era of Great Expansion of the Capitalist World-Economy, 1730s-1840s*, New York: Academic Press

⁶ Wallerstein (1974), pp.10-11.

cover slightly more than what the first two volumes were supposed to cover. He has not substantially analysed the historical process of "globalization of the world-economy" in the 19th century.

In the original plan, as Wallerstein himself pointed out, there is a major geo-historical gap between v.2 and v.3: while the first two volumes were supposed to discuss early modern Europe substantially, the scope of the last two volumes should be global. But it seems that Wallerstein tried to go beyond this gap with the same single concept of the modern world-system, which is essentially characterized as the capitalist world-economy, although he admits there was a major re-formation of the modern world-system through the 19th century.

In fact, what was published as the third volume is a collection of essays trying to extend the scope of the concept of modern world-system to interpret the major historical changes in the (long)19th century: civil and industrial revolutions, colonization of Asia and Africa, and independence of settler colonies in Americas. In this sense, the (actual) third volume is something like a set of patch softwares put on the (originally released) WSA program.

According to Wallerstein, those major changes in the 19th century should be interpreted not as structural break but rather as symptoms of structural persistence. While, up to the 18th century, the logic of the capitalist world-economy had been "unknown" to most of those who lived in it (in the sense that there was essentially no significant institutionalized mechanism with which the knowledge about the logic of capitalism as a system could be feed-backed into the system), those changes in the 19th century were both cause and consequences of the enhanced and institutionalized awareness of the systemic logic of capitalist world-economy. In a word, the 19th century only added the institutionalized reflexivity to the modern world-system while the logic of capitalist world-system persisted.

But those patches, a set of conceptual expansions in vol.3 of MWS, apparently did not work well enough, as is implied by the setback of original WSA project. And, among his conceptual expansions, the concept of hegemony, or "hegemonic cycles" to be precise, is the most typical in its reductionism, with which Wallerstein tries to maintain the essential continuity of the capitalist world-economy from early modern European origin to the current global situation.

Actually, Wallerstein initially introduced to his theoretical framework the concept of hegemony in the vol. 2 of his MWS published in 1980. Around that time, inspired by the fact of relative decline of American power, many IR scholars were interested in the theme of hegemony. But, while most IR scholars defined hegemony as the provider of international public goods or in terms of polarity of power balance in the international system, Wallerstein defined the hegemony exclusively in economic terms: "a core power [which] manifests *simultaneously* productive, commercial, and financial superiority over all other core powers"⁷. With this definition, he identified three "instances" of hegemony in the modern world-system, namely Dutch in 1625-1675, British in 1815-1873, and American in 1945-1970.

In fact, in discussing Dutch hegemony in MWS-II, Wallerstein's economic approach is overt. Indeed, he emphasizes military supremacy of Dutch navy, but it is interpreted only as a derivative consequence of the advantage in ship-building industry. He also mentions ideological (claim for "mare liberum"), and cultural (Alminianism debate) dimensions of Dutch hegemony. But they are quoted only to show how the "liberalism" is functional to the accumulation of capital for the hegemonic state.

During 1980s, after he published MWS-II, Wallerstein tried to elaborate his conceptualization of hegemony, with an idea of what he calls "three 30 years wars"⁸. The "three 30 years wars" refers to the military struggles among core countries in the modern world-system through which each of new hegemony was established, namely the Thirty Years War in 1618-1648, the Revolutionary and Napoleonic Wars in 1792-1815, and the two World Wars in 1914-1945.

What is emphasized in this idea is the parallelism among three 30 years wars: the axial struggle, in each case, was between sea power (Dutch, British, American) and land power (Spain-Hapsburg, French, German), and it was always the sea power that eventually won. In addition, as for the shift from one hegemony to another, winning sea power always had the previous hegemon (Dutch for British and British for American) as its junior partner and was also supported by the land power other than its own rival (Russia for Britain and USSR for America) at least in the course of military struggle

⁷ Wallerstein(1980), p.39.

⁸ Immanuel Wallerstein (1991), *Geopolitics and Geoculture: Essays on the Changing World-System*, Cambridge: Cambridge University Press

until each hegemony was eventually established.

Although Wallerstein did not really define the sea and land power as analytic concept, what he sees behind the dichotomy is obvious: land power is the power which is oriented to transform the world-economy into world-empire, while sea power is the power which is oriented to champion the world-economy against the challenge of land power. In other words, hegemony is characterized as the agent of the logic of capitalist world-economy.

And with this characterization, Wallerstein points out that the economic liberalism is the ideological symptom of hegemonic state. Indeed, Dutch hegemony had Grotius who wrote *Mare Liberum*. Britain maintained free trade unilaterally from 1846 to 1932. US led the formation of multilateral free trade order through the so-called IMF-GATT regime after WWII.

Of course, to use liberal ideology is not to be a genuine free trader. In fact, Dutch claim for "mare liberum" was far from consistent, as Wallerstein himself quoted the famous words by Sir George Downing: "it is *mare liberum* in the British Seas but *mare clausum* on ye Coast of Africa and ye East Indies"⁹. As for British case, Ha-Joon Chang argues that it was rather limited period (only after 1860s rather than 1846 and till as early as 1880s rather than 1932) in which Britain fully committed to free trade¹⁰. It is also a classical theme (by Gallagher and Robinson¹¹) that British free trade policy is intertwined with British Imperialism. American attitude toward free trade is often criticized for its double standard, too. Besides, US has never been actually free trade country in the sense that US never had a zero-tariff regime like that of Britain and was aggressive in using "hidden" protectionist measures, such as voluntary export restraints, quotas on textile and clothing, subsidies for agriculture, and unilateral trade sanctions through the use of anti-dumping duties¹².

This "double standard" nature of hegemonic liberalism is indeed integrated in Wallerstein's argument of hegemonic cycles. But it only results in even

⁹ Geyl, Peter, *The Netherlands in the Seventeenth Century, Part Two: 1648-1715*, Ernest Benn, 1964, p. 85; Wilson, C., *Profit and Power: A Study of England and the Dutch Wars*, Longmans, 1957, p.118.

¹⁰ Ha-Joon Chang (2003), *Kicking Away the Ladder: Development Strategy in Historical Perspective*, London: Anthem Press, pp.23-24.

¹¹ John Gallagher and Ronald Robinson, "The Imperialism of Free Trade," *The Economic History Review*, Second series, Vol. VI, no. 1 (1953)

¹² Chang (2003), p.29.

more reductionist interpretation of hegemonic cycles, because either actual free trade policy or protectionist measures could be interpreted as part of hegemonic practices. The problem is that, in any case, with this conceptualization of hegemonic cycles, which confines our sight within superficially repeated pattern, the persistence of the logic of capitalist world-economy from the long 16th century onward is self-confirmed .

Behind this reductionism, to note again, the strong dichotomy between world-economy and world-empire is assumed. But its relevance is very dubious. In Dutch case, the rival land power was Spain-Hapsburg, which may be regarded as an actor who aspired to transform the European world-economy into world-empire at least in its ideal. However, in the case of France who struggled against British ascendancy, it is questionable whether Napoleonic empire was aspiring to be a world-empire even in its imagination (much less in its real geopolitical consideration). It is even more problematic to consider Germany (against American hegemony) as a power which tried to transform the (then already global) world-economy into world-empire without a (over-)dose of megalomania about Das Dritte Reich.

Simply speaking, what is common among Spain-Hapsburg, Napoleonic France, and the Third Reich is, at most, a limited strategic success in conquering major parts of Europe. If so, before we ask whether these three powers were transforming the world-economy into world-empire, we cannot help being skeptical about what substantiates the concept of world-empire as such.

I previously criticized, in my book published in Japanese¹³, that Wallerstein's concept of world-empire ignores the difference(s) of various modes of premodern and/or extra-European empires -- Delian League, Roman empire, Abbasid empire, Mongolian empire, Mughal empire, Qing empire, and so on. There lies a priori division between (European) modern world-system and the other historical systems. Wallerstein is reifying and imposing his own concept of capitalist world-economy on the time-space of world history. What we see in his conceptualization of hegemony is the same problem reproduced within the modern world-system.

If we are to categorize Spain-Hapsburg, Napoleonic France, and the Third

¹³ Norihisa Yamashita (2003), *Sekai Sisutemuron de Yomitoku Nihon* (Japan's Modernization in the World-Systemic Perspective), Tokyo: Koudansha [in Japanese]

Reich as attempts for world-empire rather than mere expansionist states in general, we have to locate the historical context for each "instance" in which the idea of world-empire should be substantiated. In Wallerstein's arguments, this historical context is assumed, a priori, to be the capitalist world-economy, and the three "empires" are automatically characterized as repetition in the same scheme, which in turn confirms repetition of hegemonic cycles. In short, the concept of hegemonic cycles, deduced from the dichotomy between world-economy and world-empire, constitutes an abstract closed circle losing touch with historical reality. Despite the impressive rhetoric of "three 30 years wars", the presumed recurring pattern is not empirically grounded but rather conceptually forged.

To unthink this conceptual closed circuit, it is required to re-historicize and re-contextualize the three "instances" of hegemony. In other words, we need more empirical analysis not only about strategic trajectory of each "hegemon" but rather about the framework in which each "hegemony" operated and the actual order beneath the generic label of "hegemony".

For this purpose, free trade is one of key targets of analysis. While Wallerstein did argue that liberalism is the ideological symptom of hegemony, it should be analyzed, for our purpose, not only at the level of hegemonic policy but rather at the level of framework in which free trade is legitimized and the order resulted through "liberal" practices.

2. Re-introducing "Embedded Liberalism"

Here, it should be relevant to (re-)introduce John Gerard Ruggie's now classic "International Regimes, Transactions and Change: Embedded Liberalism in the Postwar Economic Order"¹⁴, as his idea of "embedded liberalism" still provides a good start for our purpose of re-contextualizing hegemonies. Although, obviously, the scope of original article only covers "the postwar economic order", which is far shorter than what should be discussed here, it is possible and theoretically productive to extend the concept of embedded liberalism.

As Ruggie himself acknowledge, there is Karl Polanyi's idea of "disembedding of economy from society" behind the notion of "embedded liberalism". For Polanyi, as discussed in *The Great Transformation*, the 19th

¹⁴ Ruggie, John Gerard (1982), "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order", *International Organization* 36(2), pp.379-415.

century under the British hegemony was the age of market, of which institutional components were international gold standard, balance of power, liberal state and self-regulating market. Under this institutionalized regime, the primary factors of production (labor, land, and money) became acceleratingly "fictitious commodities" to be circulated in (at least potentially) global market¹⁵.

Ruggie characterized the post-war international economic order as the combination of fixed exchange rate system with US dollar as key currency and welfare states responsible for full employment. This is what he called "embedded liberalism". Fixed exchange rate tends to hold down free movement of capital. Welfare state intervenes self-regulating market. It is fairly clear that Ruggie intends to emphasize the discontinuity between the 19th century liberalism under British hegemony and post-war "liberal" regime under American hegemony. A contrast is implied here between the "embedded liberalism" and what might be called "unembedded liberalism".

The consequences of the 19th century "unembedded liberalism" was the Great Depression. After the WWII, the "liberal" world had to avoid not only communism (total abolition of market) but also bare market society. What was needed is to "compromise" liberalism. The essence of "embedded liberalism" is "its ability to accommodate and even facilitate the externalizing of adjustment costs"¹⁶ to induce "compromise" with which the destructive volatility of self-regulating market should be embedded.

Today, decades after the end of the fix exchange rate and welfare state, few argue that the "embedded liberalism" is still working as the international economic regime. Many articles assume the plot like "from the 19th century golden age of free trade through slowing down (or retreat) of globalization to re-globalization after 1970s", which could be paraphrased as "from unembedded liberalism through embedded liberalism to (re-)disembedded liberalism".

This does not follow that Ruggie's focus on the difference between British and American hegemony is dead altogether. Rather, the simplistic dichotomy between embeddedness and un-/dis-embeddedness should be rethought.

¹⁵ Karl Polanyi (1957), *The Great Transformation: the Political and Economic Origins of Our Time*, Boston: Beacon Press, ch.6.

¹⁶ Ruggie (1982), p.413.

Actually, Ruggie himself never use the term "*unembedded* liberalism". Instead, he points out three theoretical issues to analyze liberalism as hegemonic regime.

1) form and content of international order

The typical perspective of international politics whose focus is exclusively on power tends to ignore "the dimension of social purpose", as Ruggie argues. "Power may predict the form of the international order, but not its content"¹⁷. The existence of single dominant power may predict liberal international order, but it does not tell how such liberal order is legitimated or to what kind of social purpose it is oriented.

2) contingency of functionality of hegemony

While the so-called liberalist international theory assumes that coordinated subscription to liberal norm enhances economic interdependence, the realist (including some Marxist) international theory assumes that the transnationalization of economy is a direct reflection of the existence of hegemony. The concept of embedded liberalism rejects both formulation. "International economic regimes provide a permissive environment for the emergence of specific kinds of international transaction flows that actors take to be complementary to the particular fusion of power and purpose that is embodied within the regimes"¹⁸. The contextual specificity of this complementarity makes the functionality of hegemony contingent.

3) gap between power shift and purpose shift

The form and the content of international order do not necessarily covary¹⁹. Of course, the decline of hegemony cannot avoid affecting the way the liberal regime which is conditioned on that hegemony operates. But the existence of the hegemony per se (the form of international order) is neither sufficient nor necessary condition for any specific type of liberalism to operate. It is possible, on the one hand, that specific social purpose is retained even after the hegemony is lost and, on the other hand, that the orientation and functionality of liberalism shifts under seemingly similar distribution of powers.

What Ruggie emphasizes with these three arguments is that liberalism should be analyzed as regime embedded in specific normative and cognitive

¹⁷ Ruggie (1982), p.382.

¹⁸ Ruggie (1982), p.383.

¹⁹ Ruggie (1982), p.384.

framework. Otherwise, liberalism is reduced to merely an automatic function of hegemony (or particular form of power distribution in international system).

Given that the normative and cognitive framework in which the liberalism is embedded substantiates what is under the generic label of "hegemony", it is after all inappropriate to assume the contrast between unembedded and embedded liberalism. The issue is not *whether* but *how* each liberalism is embedded. In this sense, the 19th century "laissez-faire" liberalism and the 20th century "embedded" liberalism are both embedded liberalism, only differently embedded in each own way.

Thus we extend the concept of embedded liberalism. It now has transhistorical scope in which the "instances" of hegemony can be analyzed, rather than describes the peculiar nature of the post-war international economic order. With this extended concept of embedded liberalism, the Dutch, British, and American hegemonies are to be re-historicized by identifying the normative and cognitive contexts in which each hegemony was embedded. This leads us to focus on three major issues.

1) contextual discontinuity between Dutch hegemony and British/American hegemony

In a sense, as is discussed earlier in this paper, the MWS project has proved the contextual discontinuity over 1800 in a negative way. However, the mainstream scholars of international relations still tend to underestimate or even ignore this discontinuity given they still assume the so-called Westphalian paradigm. In any case, it is necessary to reveal the actual historical context in which what is labelled Dutch hegemony was embedded.

2) structural shift from British to American hegemony

While Ruggie explicitly argues the discontinuity between 19th and 20th century liberalism, there are not a few authors who assume the single process of globalization led by relayed initiatives between UK and US. However, as is discussed with Ruggie's arguments of embedded liberalism, the normative frameworks in which liberalism was legitimized and operated were different between 19th century and post-war international systems. While the British hegemony operated in the context in which the perception and expectation of actors were not yet structured with the idea of international free trade regime, the American hegemony operated in the context in which the idea of international free trade regime was much more

"given" and more deliberately associated with legitimacy of American power. The cognitive status of "free trade" had changed as systemic reflexivity was enhanced.

3) singularity of early phase of British hegemony

While Wallerstein dated British hegemony from 1815 to 1873, what he actually discussed in MWS-III about British hegemony is only the prehistory of it, namely the making of British hegemony against France in the period from 1763 to 1815. Interestingly, unlike his later (more schematic) articles, Wallerstein did not describe France as a power which tried to transform the capitalist world-economy into world-empire there. Rather, he emphasizes the cognitive gap between Britain and France about the meaning and function of free trade, especially when he discusses Eden Agreement in 1786. Simply put, while Britain was fully aware that they had more advanced exporting industries and that free trade agreement would serve them better, France perceived and interpreted the situation differently and acted like a moth to flame only to be semi-peripheralized. Although Wallerstein seems to have dropped this argument when he later elaborated his conceptualization of hegemonic cycles, this is one of the very important historical moments in which different normative contexts overlapped each other. And, in a sense, the way Britain acted there was to be called genuinely "hegemonic", as it settled the overdetermination of normative contexts for its own structural benefit.

3. Dutch "Hegemony" and Early Modern Globality

It is true that the Dutch Republic in the 17th century was a very rich and fairly powerful state in Europe. But it is debatable whether it had already taken off to the modern economy. Traditionally, most historians denied the modernity in the 17th century Dutch economy on the ground that the prosperity in the 17th century did not lead to industrialization. Wallerstein's argument about Dutch hegemony was one of the earliest that maintain the modernity of Dutch economy in the 17th century. More recently, J. de Fries and A. van der Woude's *The First Modern Economy* presented the most comprehensive arguments in this line²⁰.

But if we are to argue that the Dutch economy in the 17th century is modern, why not is the economy of Italian city-states in the 15th century? Or why not

²⁰ Jan de Vries and Ad van der Woude (1997), *The First Modern Economy: Success, Failure, and Perseverance of the Dutch Economy, 1500-1815*, Cambridge: Cambridge University Press. It should be noted that van der Woude is under strong influence of Fernand Braudel.

the Flanders economy in the late Middle Ages? The Braudel approach they took tends to de-historicize the concept of capitalism by reducing it into the extended merchant capital model (i.e. abstract model of "exploitation of difference"), as authors like H. van der Wee²¹ and J. L. Van Zanden²² criticize.

Both sides of the debate agree that the Dutch had the most competitive textile industry, especially strong in dyeing which made the largest portion of additional value, in Europe in the earlier 17th century, and that the productivity in ship-building in Dutch was by far more advanced than other European countries. It is also commonsense that the Dutch shipping industry overwhelmed early modern Europe. In 1670s, the number of ships in the Dutch Republic is well over twice as many as in England, or more than all the ships in German states, Spain, Portugal, France, and England combined. There are virtually no historians who doubts that Amsterdam functioned as financial center for European international settlements.

What divides the opinions of historians is the interpretation of the fact that this advantage of Dutch economy did not lead to sustained and dynamic development but rather to relative decline. Those who deny the modernity interpret it as failure of modernization, while those who consider the Dutch economy as modern capitalism interpret it as a (down-turn) phase of cycle of modern mode of capital accumulation. The former also denies that the hegemonic cycle started with the 17th century Dutch, while the latter maintains that the 17th century Dutch is the first of three "instances" of hegemony in the modern world-system.

However, in this debate, the economic power accumulated in Dutch Republic is only interpreted within the framework extrapolated by each side of debate. This is what Ruggie called "formal" analysis of power, which does not reach the "contents" of hegemony. Hence, by taking the viewpoint of "embedded liberalism", we focus on two issues: a) ideological context in which the Dutch hegemonic liberalism was legitimized, and b) spatial context in which the Dutch hegemonic liberalism was embedded.

Let us first look at the ideological context. Needless to say, the classical

²¹ Herman Van Der Wee (1999), "Was the Dutch economy during its golden age really modern?", *European Review*, 7, pp461-469.

²² Jan Luiten van Zanden (2002), "The 'revolt of the early modernists' and the 'first modern economy': an assessment", *Economic History Review*, LV, 4, pp. 619–641.

theory of free trade was still yet to come in this age. It was only in 1776 when Adam Smith's *The Wealth of Nations* was published, not to mention David Ricardo. Even William Petty's *Treatise of Taxes and Contributions* and John Locke's *Two Treatises of Government* -- the prototype arguments of labor theory of value on which classical economics was based -- were written as late as in 1662 and 1690 respectively. The 17th century world did not see any moral philosopher trying to legitimize free trade. The paradigm of trade theory was mercantilism in a broad sense.

Actually, what those who argue for the Dutch "liberalism" have in mind is Hugo Grotius and his claim for "mare liberum". His book *Mare Liberum* was published in 1609 when the armistice between Spain and Netherlands was agreed in the course of the so-called 80 years war of Dutch independence from Hapsburg Spain. The popular interpretation that the Dutch Republic defied the Spanish imperial domination by establishing the international principle of free sea seems reasonable.

However, the Dutch Republic did not consistently behave according to the principle of "mare liberum", as I already quoted Sir George Downing's words which criticized the double standard of the rhetoric used by the Dutch. They appealed to "mare liberum" only when they tried to crack into the spheres of other countries' interest. As is noted, the principle and policy of "mare liberum" was in the context of mercantilism, given that the classical (political) economy was far yet to come. It was not the claim for universal rationality of free trade but a claim for the right to access to trade or, in other words, self-assertion as mercantilist subject.

It should be noted that the level of rhetoric is different between the classical discourse of free trade theory and the discourse of "mare liberum", although both hegemonies are embedded in each normative framework as Ruggie generally argues. While the British discourse of free trade, as will be discussed later, constructed the normative framework in more or less explicit way, the Dutch discourse of "mare liberum" did not have reflexive edge against the mercantilist framework in which it was embedded.

In the normative framework of mercantilism, subjects are defined as monopoly-seeker of trade opportunities. While each player try to exclude other players from the opportunities monopolized by itself, each player try to get in or take over the opportunities monopolized by other players. But the ideological contents of mercantilism had little to dictate the logic with which

to legitimize the claim for the access to trade opportunities. It can be the right of inheritance, the religious authority, or the logic of natural law -- ad hoc. The claim of "mare liberum" is just one of these ad hoc rationale.

In fact, Grotian concept of "mare liberum" could be interpreted to justify the use of force against those who reject the trade. As the Dutch state made the maximum use of this, "mare liberum" turned out the case rather for the freedom of piracy than the freedom of trade. Jan Pieterszoon Coen, the Governor-General of the Dutch East Indies, was mercilessly eliminated any forces which he regarded as disturbance to Dutch spice trade. He left a letter to VOC headquarter in Amsterdam, the oft-quoted line of which reads: "we cannot make war without trade nor trade without war"²³. On the other hand, in the West India where the Dutch power was weaker than Britain, France and even Spain and Portugal unlike in the East India, GWC (Dutch West India Company) came virtually down to be an institute for privateer²⁴.

Let us turn to the spatial context of Dutch "hegemony" here. The first thing to be noted is that the scope of Dutch hegemony is far from global. It is true that they navigated and built some footholds around Africa, the West India as well as the East India. However, their political presence in extra-European regions was quite limited even in the East India where they retained a significant advantage over other European players. In the countries with strong indigenous state like China and Japan, they could only secure very marginal and indirect access for trade. Java, the base island for Dutch presence in the East India, could barely be maintained by manipulating the web of conflicts among and within the local kingdoms in the region. It was only after the end of the 17th century that Dutch rule in what is now Indonesia started to become something more than mere control of ports and towns. But by then the advantage of the Dutch over other European countries was significantly lost already.

Although the episodes about Dutch ventures in the East India in the 17th century may sound splendid, it was virtually limited in spice trade, which is essentially luxury trade and of which profitability declined tendentially

²³ Ronald Findlay and Kevin H. O'Rourke, *Power and Plenty: Trade, War, and the World Economy in the Second Millennium*, Princeton University Press, 2007, p.178.

²⁴ Wansnik, N., "Holland and Six Allies: The Republic of the Seven United Provinces", J.S. Bromley and E.H. Kossman (eds.), *Britain and the Netherlands, IV: Metropolis, Dominion and Province*, Nijhoff, 1971, pp.133-155; Goslinga Cornelis Ch., *The Dutch in the Carribean and on the Wild Coast, 1580-1680*, University of Florida Press, 1971, p.109.

through increased competition with other European countries. It was certainly not the most important trade for the Dutch economy. It is the Baltic grain trade that was the "Mother of All Trade" for the Dutch. The spatial scope of the Dutch hegemony is European, from the Baltic to the Mediterranean²⁵.

Actually, it is hardly provocative to call the 17th century Dutch the European, not global, hegemony. Neither world-systemists nor neo-realists argue for the Dutch hegemony in a global scale, since for the former the capitalist world-economy was still European regional system then while for the latter the scope of the so-called Westphalian regime had just been established in Europe. Rather, the problem is that they only see Europe, lacking perspectives for inter-regional comparison and connection. This is essentially because the concept of hegemony is deduced from the corollary of modernity, such as the "capitalism" and "system of territorial sovereign states".

But, as was discussed earlier in this paper, The Dutch hegemony in the 17th century was embedded in the normative framework of mercantilism. And this mercantilist context was not necessarily peculiar to Europe. While societies in the 17th century world, whether in European or extra-European regions, were essentially agrarian in the sense that they had not yet got out of the Malthusian trap, there emerged a new level of inter-connectivity on a more or less global scale through inter-regional flow of goods, people and information. In other words, it is a world in which any major polities should not only pursue the control of land but also the control (or monopoly) of trade routes as the sources of accumulation of power and /or capital. In this sense, the early modern world underwent the mercantilist globalization, so to speak.

Of course, this early modern globality was not a single monolithic system at all. It was rather an articulated network of regional circuits. Given the recent accumulation by economic historians in this theme, the structure of the early modern globality can be roughly summarized in the following three points.

- 1) Regions were inter-connected globally by flows of luxuries (typically spices) and bullion.

²⁵ Milia von Tielhof (2002), *The Mother of All Trades: The Baltic Grain Trade in Amsterdam from the Late Sixteenth to the Nineteenth Century*, Leiden: Brill.

2) Regions were demarcated with circulation of bulk goods (typically grains and textiles) which was loosely framed politically as well as physically (with the given standard of transportation/communication technology).

3) The political constitution of each region varies significantly. The relation between the political power and the mercantilist agents also varies.

We can locate eight regions around the Eurasian continent: Europe, North Eurasia, North Africa/West Asia, Persia, South Asia, Central Asia, Southeast Asia, and East Asia²⁶.

The strength of regional consolidation varies among these eight regions. Five of them -- East Asia, South Asia, North Africa/West Asia, North Eurasia, and Europe -- show higher level of regional consolidation, while the rest of three, -- Central Asia, Persia, and Southeast Asia show relatively low level of regional consolidation. I call the former five "early modern empires" and the latter three "marcher regions".

Early modern empires provided the centripetal normative framework in which inter-regional interactions were subject to intra-regional relations²⁷, while in the marcher regions the external relation (especially relations with the forces from the early modern empires) often affected the internal structure of power relations.

It should be noted the dichotomy between centripetality of early modern empires and centrifugality of marcher regions cut across the dichotomy between centrality and de-centrality of regional political formation. For example, while East Asian early modern empire is highly centralized with the huge political gravity of Chinese empire, European early modern empire is significantly de-centralized with no overarching polity on a regional scale. Also, Persian marcher region was quite centralized, though less sustained, with Safavid empire, while in Southeast Asian marcher region the power relations among various local kingdoms were by no means centralized.

Indeed, the regional order in Southeast Asia was, on the one hand, even more de-centralized, as some allied themselves with European forces and converted to Islam to strengthen the tie with Muslim traders from the Indian

²⁶ The argument below about the early modern empires is based on my own previous work in Japanese (Yamashita 2003).

²⁷ The operation of normative framework often hinges upon the historical and/or contemporary gravity of empire. That is why I use the term early modern empire.

ocean. The regional order in East Asia , on the other hand, retained the certain level of centrality through the mechanisms like (Sino-centric) tributal trade system which effectively excluded the external impacts. Hence, in these cases, the centrality/decentrality and centripetality/centrifugality are reinforcing each other. But analytically the two dichotomies should be distinguished.

As is mentioned above, the early modern empires (as sub-circuit of the early modern globality) are 1) open to inter-regional connection at the level of luxuries and bullion, 2) consolidated on the circuit of bulk goods, and 3) diverse in political formation. To be added, while the political order of early modern empire can be centralized or de-centralized, each of early modern empires has some centripetal normative framework with which to institutionalize regional consolidation.

The Dutch hegemony was embedded in the (European) early modern empire. The Dutch trade in (especially East) India is part of the global inter-connectivity in this era. VOC's mercantilism was not anything unique to European actors but rather shared with other major actors in all early modern empires. Not a few "political" projects of conquering external frontier regions by the major imperial states (such as, Qing empire to the west, Russian empire to the east, and to the lesser extent Ottoman empire to the west) actually had an aspect of seizing new trading opportunities and/or securing the trading route.

More importantly, the Dutch trade within Europe, the major part of which was the Baltic grain trade, played the key role in structuring the whole grain distribution of Europe. This is of course different from the state control of distribution of grains (and other basic supplies) in other early modern empires. However, the simple dichotomy between redistributive empire and market economy (the corollary of Wallerstein's dichotomy between world-empire and world-economy) is not really relevant here. While the regional market of staples also developed in the extra-European early modern empire, there was a political tension between those who had an interest in re-exporting Baltic grains (mainly to Mediterranean area) and those who saw priority on supplying grains to Dutch society. The function of Dutch "hegemony" in consolidating the regional circuit of bulk goods was conditioned politically, albeit in a different manner than in the other early modern empires.

4. British and American Hegemonies

The context of the early modern empire (or the early modern globality articulated with the early modern empires and the marcher regions, to be more precise) in which the Dutch "hegemony" was embedded was lost by the 19th century. The 19th century globalization enhanced the inter-regional interactions, which undermined the centripetality of early modern empires²⁸. The British and American hegemonies were embedded in different contexts from the early modern globality. The next problem is the contextual difference between British and American hegemony.

Actually, there are not a few authors (such as Joseph Nye Jr. in his *Bound to Lead* and Paul Kennedy in his *The Rise and Fall of the Great Powers*) who assume the essential continuity between British and American hegemonies. In addition, given the neo-liberalization especially after 1990s, some authors²⁹ argue that the embedded liberalism (in the narrow sense) was the relatively exceptional period during these two centuries of liberalization of the world.

As is already discussed, Ruggie's idea of embedded liberalism was intended to emphasize the difference between British and American hegemonies. And we have extended his argument in this paper to focus on the different historical contexts of each "instance" of hegemony. But, it should be noted, to focus on different historical context is not simply to emphasize the historical break among the hegemonies. Actually, we extended the concept of "embedded liberalism" by rejecting the dichotomy between embedded liberalism and un-embedded liberalism. This conceptual shift, as a corollary, also requires us to reject the simple dichotomy between continuity and discontinuity of hegemonies. What is necessary is to analyze the mode of embeddedness, not to judge whether embedded or not.

To repeat, there are two major dividing lines between Dutch and

²⁸ Wallerstein conceptualized this process as "incorporation of the extra-European world-empires into the European capitalist world-economy". This is flatly unilateral model in the sense that the same process was repeated everywhere Europeans went in the late 18th to the 19th century. It is true that the most of the increased inter-regional interaction in the 19th century was colonization in Asia and Africa. But to reduce the whole process to colonialism is to ignore the interaction between extra-European actors (embedded in and disembedded out of the respective early modern empires and/or marcher regions) and the agency of non-European actors in the interaction between Europeans and non-Europeans.

²⁹ Niall Ferguson (2003), *Empire: The Rise and Demise of the British World Order and the Lessons for Global Power*, New York: Basic Books, to note the most typical.

British/American hegemonies. First, as for the spatial context, the British and American hegemonies assume more or less globalized system, while the Dutch hegemony was embedded in the Early modern empire. Second, as for the ideological context, Dutch "liberalism" was part of its mercantilist practice with the rhetorical appeal to natural law, while British and American liberalism was based on the (neo/classical) economic theory of free trade.

These points imply some sort of continuity between British and American hegemony. Yet, it is inappropriate to assume a simple succession of status and/or role in the essentially same international system.

First to be noted is the initial recognition of hegemony by the other core countries. Indeed, at the moment of 1815, Britain had a significant lead in industrialization and a better fiscal and financial system. During the Napoleonic war, Britain subsidized the armies of Austria, Prussia, Russia and other minor powers, committed troops to campaigns in Iberia and Flanders, and provided the bulk of the naval power. Nevertheless, at the Congress of Vienna, no continental countries expected Britain to take a role of global hegemon. Rather, the European core countries looked to the recovery of their economies and the reconstruction of their military strength. (France even restored the monarchical government.) In short, they sought to return to the balance of power, with which to preserve the status quo and check the British ambition³⁰. On the other hand, Britain actually avoided to get involved in the web of complicated interests among continental forces.

The American case shows a contrast. It is true that the American commitment to hegemony during the inter-war period was lukewarm at best. The American aid to Europe after WWI did work to a certain extent. But Washington insisted on the full repayment of loans and credits, which undermined the stability of international financial system. The overall anti-migration and protectionist attitudes of American Congress betrayed the liberal diplomatic stance of the government³¹. And eventually, with the Wall Street crash and subsequent collapse of the American financial system, the international economic order provided by US ceased to function.

Given this experience, what was required after WWII was the strong commitment of America to the reconstruction of European economy. And

³⁰ Kal Holsti (1991), *Peace and War: Armed Conflicts and the International Order 1648-1989*, Cambridge University Press.

³¹ Gilbert Ziebura (1990), *World Economy and World Politics 1924-31*, Oxford: Berg Publishers.

America met the expectation. The overwhelming economic power, relatively flawless historical records in international stages, and self-confidence and leadership acquired through the WWII made this possible. In fact, no major power in the United Nations except for USSR resisted the America-led new international order. America was accepted, to the varying degree and with episodic protests, as the provider of "free" international order which should be the alternative to both fascism and communism³².

Another point to be noted is the difference between pounds and dollars. If we define the key currency as the paper form (bonds, bills, credit notes and cash) of liabilities of major states which is used as cheap and safe to hold in reserve for accumulation of assets and/or future international transaction, both the American dollar in the post-war world and the British pound in the 19th century are certainly key currencies.

The big difference, needless to say, is that the 19th century monetary order assumed the international gold standard system in which the central bank of every major state guaranteed the convertibility between their currency and gold, while under the so-called Bretton-Woods regime, only the dollar had the gold convertibility and all the other currencies were pegged to US dollar.

This difference implies the contrast between British reluctance and American willingness to be responsible for providing the liquidity for international economy. Adhering to the gold standard system is one of the surest ways to avoid the inflation and instability of exchange rate which could be caused by allowing the pound to be used as key currency. But, on the flip side, it means that Britain ultimately did not commit to playing the role of guarantor of the international financial order.

It is true that the international monetary system had been relatively stable up to 1914. But it is not the result of the alignment of financial policies among major states orchestrated by UK, but rather conditioned with the absence of major war and relatively healthy industrial growth in the major economies. In addition, the British obsession about balanced budget in the 19th century also implies the absence of British commitment to providing the

³² Thomas McCormick (1995), *American Half Century: US Foreign Policy in the Cold War and after*, The Johns Hopkins University Press

international financial order³³.

On the other hand, US consistently allow the deficit of balance of international payment, maintaining the status of the dollar as the key currency even after the Bretton Woods regime collapsed. America did not hesitate to use their political and even military power to keep the dollar as key currency. It is of course because it serves America's own interests. But it also has to be legitimized with reference to their role of provider of international financial order.

In 1883, Sir John Robert Seeley wrote in his *The Expansion of England* a now famous line: "The British Empire was acquired in a fit of absence of mind." Generally speaking, what is labelled "British hegemony" was not constructed through any explicit commitment as hegemon, either feeling responsible for or seeing self-interest in providing international economic order. On the other hand, America explicitly chose to be hegemon and maintain its status strategically.

UK did keep the unilateral free trade policy till the end of their hegemony. But as the major core states switched to protectionism in late 19th century, UK did not take any serious strategic trade policies to prevent it, much less military actions. When they did use armed force (in extra-European societies like Ottoman empire and Qing empire), the idea of free trade was not referred.³⁴

In contrast, America advocated free trade less often through diplomatic persuasion than through sanctions by international organization like IMF and IBRD and even threats of retaliation against foreign exports to the world's largest market. In this sense, American commitment to the free trade is not only a strategic goal but also a rhetorical tool for their hegemony.

In sum, the difference between the contexts in which the British and American "liberalism" were embedded is in reflexivity. In the British hegemony, on the one hand, the norms which legitimize liberalism were less institutionalized and the usage of the "liberal" idea was less rhetorical. They

³³ Jorge Braga et al, eds, (1996) *Currency Convertibility: The Gold Standard and Beyond*, Princeton University Press; Barry Eichengreen, ed.(1985), *The Gold Standard in Theory and History*, New York: Methuen.

³⁴ Patrick O'Brien (2003), "The Myth of Anglophone Succession: from British Primacy to American Hegemony", *New Left Review* 24

were in a process of inventing/locating the contextual framework in which their hegemony should be embedded and legitimized. In the American hegemony, on the other hand, the liberal norms are more institutionalized and the rhetorical dimension of liberal discourse is more overt. In this sense, American hegemony is based on more reflexively embedded liberalism.

5. Reflexive Moment of Hegemony

We have been discussing hegemony (as one of the weakest link of WSA project) with the extended concept of embedded liberalism. Our approach focused on the normative framework in which each hegemonic liberalism was embedded, and we attempted to characterize the difference of each mode of embeddedness. The Dutch hegemony is embedded in the early modern empire, which is clearly different from the later globalized hegemony. The British and American hegemony are in contrast to each other in terms of reflexivity. The former found the liberalism, while the latter used it.

In a sense, the reflexivity is the key to analyze the difference among three hegemonies. The dutch hegemony showed no reflexivity vis-a-vis the normative framework. For the Dutch hegemony, their (seemingly) liberal discourse is merely a tool chosen ad hoc in the given actual game. If we are to risk being schematic, three hegemonies can be characterized as hegemony without reflexivity, hegemony with weak reflexivity, and hegemony with strong reflexivity.

By this, I do not imply any unilinear development (which only returns to Wallerstein's fallacy). Instead, I would like to rethink a repressed theoretical moment in Wallerstein's argument. Because before he formulated his own conceptualization of hegemony, in the chapter 2 of his MWS-III, he implicitly thematize the reflexive moment in the terminal phase of the early modern empire in which Britain and France struggled against each other in contextual indeterminacy.

Wallerstein first emphasizes that there was no intrinsic factors which decisively contributed the eventual victory of Britain over France. Although he admits that, at the end of the Seven Years War or the eve of French Revolution, Britain had some advantages over France in productivity, access to the markets, financial conditions, and so on, yet the gap is still not decisive at all. The important thing is that Britain took the policy which consolidated their advantage, while France did not take the policy to prevent it or actually

took a policy against their interests.

The policy in question is about trade. And the focus is the Eden Agreement in 1786, a free trade agreement between Britain and France, by which the British export of cotton textile and iron goods to France and the French export of wine and olive oil to Britain were opened. As the textbook of economic history tells us, this agreement devastated French economy. The cheap manufactured goods from Britain destroyed French industry, which shrank the domestic demands, which also damaged the agricultural sectors which was supposed to be benefited from the free trade agreement.

What Wallerstein underscored is that the British policymakers clearly knew the meaning of the free trade, while the French counterparts lacked the same knowledge. As a result, Britain went for the agreement being fully aware that it would benefit their advanced manufacturing industry, while France fell into being the importer of British manufactured goods and exporter of agricultural produce. In other words, France chose to be semi-peripheralized without really knowing it.

[quote of Reineval and William Pitt]

The contrast between Reineval and Pitt shows the gap of reflexivity. If this gap is interpreted as the gap of the "objective" knowledge of economics (e.g. classical economy vs. physiocrat), then this episode only serves to reinforce the reductionist or even Whig historiography within the framework of the capitalist world economy. But behind this gap there is a political process taking place at a deeper level. Because it is not that the perception of policy-makers in each state dictated the policy. Both Reineval and Pitt chose their words to manipulate the discursive space in which plural interests were negotiated, while the respective constellation of plural interests conditioned the policy orientations in each state. In this sense the reflexivity is not a given independent variable, but a negotiated property especially at the moment like the Eden Agreement when the previous normative framework is still widely permeated but the new normative framework is yet to take shape. By thus opening the concept of reflexivity, we can unthink the hegemonic cycles with Wallerstein.