

# Undermining Hegemony? Building a Framework for Goods Substitution

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On 17 March 2015, Reuters reported that “the concerted move by U.S. allies to participate in Beijing’s flagship economic outreach project [Asian Infrastructure Investment Bank (AIIB)] is a diplomatic blow to the United States and its efforts to counter the fast-growing economic and diplomatic influence of China.” On 21 November 2013, Ukrainian President Viktor Yanukovich announced that his government was abandoning its Association Agreement with the European Union in favor of closer economic cooperation with the Russian Federation.

What do these two developments have in common? Both involve the power politics of *goods substitution*. That is, competitive dynamics surrounding efforts by states to seek—or provide—alternative sources for economic, military, or social assets. When actors view the existing supply of such assets as politically or substantively problematic, they face incentives to seek substitutes. They may *provide the relevant good for themselves*, *contract with another actor* for supply of the good, or *pool their resources* to jointly produce the good.

The politics of goods substitution lies at the heart of key concerns in world politics: the fate of hegemony, the dynamics of international order, and the workings of the balance of power. However, despite some ongoing debates, most hegemonic-stability and power-transition theorists pay surprising little attention to the power politics of international order itself. Likewise, at the regional level, there has been little attention paid to the interplay of goods provision by great powers and “goods-shopping” by small and middle-powers; how the possibility of goods substitution allows for new forms of creative agency.

Extant perspectives fail to capture the myriad ways in which power-political activities maintain, undermine, or transform hegemonic orders. As Barma et al. (2009: 528) write, mainstream “international relations scholarship surmises that rising powers are presented with a binary choice: assimilate

to the existing order, or challenge it.” Goods substitution, we contend, constitutes one of the major threats to contemporary international order. Although states may not always intend to “hollow out” liberal order, asset substitution often undermines its rules and norms. It does so *with* or *without* directly challenging the power-position of the hegemon. Cumulatively, as states substitute assets once provided by the West with those provided by emerging patrons like China, Russia and the Gulf countries, the number of exits from the Western-backed order increases and the power and influence of the international liberal order decreases.

## The Logic of Goods Substitution

At the most basic level, the dynamics of “goods substitution” involve attempts by actors to either seek, or to attempt to serve as, a supplier for an asset currently provided by another actor – such as a state or an international institution – or the international order itself. In some cases, the provision and consumption of the relevant asset takes an additive form: the consumer gains additional providers of a similar good, such as foreign aid or security guarantees. In other cases, the politics extend to actual exit from an existing relationship, such as when client switches to a different security patron. Sometimes, however, the game involves leveraging the threat of exit for a better bargain.

What factors drive goods substitution? Nexon (2009: 346) identifies a set of logics that undergird what he terms “balancing through public goods substitution.” He argues that “States seeking to enhance their political autonomy and perhaps weaken the influence of another state in a region or issue-area may form arrangements to provide public goods equivalent to those offered by another state or coalition of states.” In turn, such “balancing efforts might provide exit options to actual or potential clients of another state, reduce the ability of a state to meddle in other states’ internal affairs, and otherwise reduce the costs of dependency upon the target of the balancing policy.”

This account gets at some of the relevant dynamics, but it suffers from two problems. First, most of the “goods” these strategies

substitute for constitute not ideal-typical public goods but “impure” public goods—including so-called “club goods” that are excludable but non-rivalrous—and private goods (see, e.g., Cornes & Sandler 1996, Chapter 1). Second, balancing motivations only comprise a subset of the drivers of the politics of goods substitution. For example, goods substitution sometimes takes the form of “routing around” (Barma et al. 2013) aimed at the international order itself. Goods substitution may also stem from opposition to specific policies, or simply efforts to get a better deal. We need to differentiate the *intentions* behind goods substitution with its *effects*. Furthermore, we need to distinguish between drivers located with the providers of goods and drivers located with the consumers of goods.

### Supply-Side Drivers

We find it helpful to think about two general supply-side factors that influence substitutability; the number of actors capable of providing a comparable asset and their willingness to do so. By way of example; in strictly unipolar systems only a single political community can provide effective security guarantees, because no possible combination of other actors can overcome its military preeminence. In multipolar systems, on the other hand, a number of polities can extend credible security guarantees. This increases the number of possible balancing configurations—that is, the substitutability of security as a private or club good. However, collusion between providers might make the existence of more of them irrelevant. Mutually defined and accepted spheres of interest between the great powers in a multipolar system for instance make the existence of a plurality of providers irrelevant to the individual consumer.

### Demand-Side Drivers

These supply-side factors intersect with demand-side drivers of goods substitution. On the demand side, actors are more likely to seek alternative provision when they worry about intrinsic aspects of a good, extrinsic factors associated with it, or both. On the one hand, consumers will prove more inclined to engage in the politics of goods substitution when they find the good inadequate to meet their needs. On the other hand, actors will also prove more likely to seek alternative providers when they worry about extrinsic downsides, such as the legitimacy costs of associating with a specific foreign regime or the risks of increasing dependency on a state with which they are likely to have policy disagreements in the future. In a general sense, these considerations involve negative externalities associated with existing public, club, and private goods.

In sum, the politics of goods substitution will increase in salience as (1) the number of possible providers—whether in the form of other actors or the consumers themselves—increases, (2) those providers prove more willing to offer comparable goods, and (3) as consumers worry about the intrinsic and extrinsic costs and benefits associated with their existing arrangement. We should not expect these drivers to oper-

ate in complete isolation from one another, as the number of potential providers for a good shapes perceived opportunity costs associated with existing relationships. We would expect both supply-side and demand-side drivers to be changing when the configuration of world power is changing or perceived to be changing.

### Unipolarity, Hegemony, and International Order

International-relations scholars usually describe preeminent states as “unipolar powers,” “hegemons,” and “hegemonic powers.” We sometimes use these terms interchangeably, particularly when discussing the United States. At the same time, we also often insist on precision when it comes to defining unipolarity and hegemony. The former refers, of course, to the distribution of power in the international system. A unipolar system is one composed of a single top-tier power. Hegemonic systems exist when a single political community establishes rules of the game, allocates status and prestige, and otherwise manages interstate relations (see, e.g., Nexon and Wright 2007; Wohlforth 1999).

We usually face few costs from using “unipolar power” and “hegemon” as synonyms. Still, we can imagine “unipolarity without hegemony”; a unipolar power, for example, might adopt isolationist policies (Wilkinson 1999). States may also attempt to exercise international leadership in the absence of requisite capabilities.

We also sometimes conflate “hegemony” and “international order.” Thus, recent work on alternative-order building sometimes collapses the distinction between international and hegemonic order (Krahmann 2005). ” But, of course, “international order” and “hegemonic order” are not synonymous – as recent debates about whether or not liberal order will persist under conditions of American relative decline make clear (Deudney and Ikenberry 2009).

The concept of “international order” itself remains somewhat amorphous. Hegemonic orders, then, are international orders created and maintained – to at least some degree – by a preeminent power. In this sense, all hegemonic orders are international orders, but not all international orders are hegemonic. However, none of these mechanisms necessarily exclude one another. Thus, we need to consistently treat international order as an analytically distinctive, and relatively autonomous from, both unipolarity and hegemony. Doing so matters a great deal for understanding the nexus between goods substitution and the politics of hegemony.

### Disaggregating Counter-Hegemonic Orientations and Strategies

Prominent accounts of the politics of hegemony—most notably hegemonic-stability and power-transition theory—tell a straightforward basic story. For a variety of reasons, dominant powers inevitably enter into a period of decline relatively to newly rising polities. Rising powers that remain satisfied with the existing order—that believe it allocates

them sufficient status and territory, advances their economic and military interests, accommodates their ideological outlook, and so forth – eschew challenging the dominant power. They constitute “status-quo powers” and generally become, to use a current turn of phrase, “responsible stakeholders” in the system. Rising powers that find themselves dissatisfied with the existing international order, however, take steps to challenge the hegemon. Standard accounts point to a number of ways these revisionist challenges play out.

These efforts seldom, however, receive much theoretical elaboration. For many scholars, the key point is that they either prompt mutual accommodation that satisfies rising revisionists, or they lead to further conflict and increasing hostility. The counter-hegemonic activity that really ‘matters’ involves internal military buildups and the formation of revisionist alliances. These challenges, in turn, trigger the central processes of hegemonic-stability and power-transition theories: hegemonic overextension, preventive wars, revisionist-initiated conflicts, and a great-power war that either reaffirms or overturns the existing order. But note that revisionist objectives vary widely in breadth and intensity. Therefore, scholars often view revisionism as a continuum.

In a general sense, then, we should distinguish between four types of orientations toward hegemonic orders (see Figure 1). Any given actor might vary in terms of its preferences with respect to the *international order* and the *distribution of power*, ranging from completely satisfied (“0”) to completely dissatisfied (“1”). In this framework, ideal-typical status-quo actors express satisfaction with *both* the current distribution of power *and* the nature of the international order. Revisionist actors desire to alter both the nature of the order and the current distribution of power. But *reformist* orientations combine a desire to change the terms of the order with satisfaction with the existing distribution of power. And *positionalist* ones accept the terms of the current order, but would like to see a change in the distribution of capabilities. In other words, reformists are *order* revisionists, while positionalists are *distribution of power* revisionists.

Figure 1: Revisionism Revisited



This helps clarify some conceptual issues created by bundling together different objects of revisionism.

Clarifying the relationship among unipolarity, hegemony, and international order therefore allows us locate such differences in an ideal-typical property space based on, first, the degree that such maneuvers *oppose US power*, per se, and second, *the degree that they target international order*.

Thus, *counter-hegemonic* maneuvers target both American relative power and the international order (revisionism); *counter-order* gambits involve indifference to American power but opposition to the current international order (reformism); *anti-unipolar* activities accept the current international order but oppose American dominance (positionalism); and *counter-policy* maneuvers aimed at the United States merely seek to change the cost-benefit calculation for Washington when it comes to specific policies, i.e., reflect status-quo orientations writ large. The actual aims of any given power-political maneuver may reside anywhere in this property space and may combine different degrees of opposition to American power and the international order. In turn, the policies of consumers can, logically, be situated in the same space; consumers might simply seek a better bargain (akin to a counter-policy move), but they might also be resisting hegemonic power, desiring a new order or a combination of the two.

The fact that aims of most power-political maneuvers locate them somewhere in between these limit conditions helps explain the intractability of some recent debates about, for example, soft balancing. Another complication stems from the difference between the *intention* of specific activities and their *effects*. For example, even when a state only intends to influence the specific policies of a hegemon, its actions may create spillover effects that erode the power of the hegemon or undermine the existing order. Again, this is true for consumers of goods as well as for providers of goods. For example, Chinese authorities may not intend to provide “public goods” to countries like Turkmenistan and Ecuador, recipients of large Chinese loans in exchange for energy supplies, however, this infusion of Chinese financing in practice means that these energy-producers can avoid borrowing from international markets or from international financial institutions such as the IMF.

### Bringing it all Together

So-called “revisionism” in hegemonic orders involves three distinctive targets. Actors may take steps against specific policies adopted by the preeminent power without seeking alterations in the order or the distribution of capabilities. They may engage in reformist power-political maneuvers that target the order itself. And they may adopt positionalist policies designed to shift the distribution of capabilities. Only the combination of the latter two amounts to <sup>\*\*</sup>“revisionism”: an attempt to challenge *both hegemony and order*. In practice, reformist, positionalist, and revisionist power-political maneuvers almost always entail a counter-policy component.

Complicating matters, the goals of specific policies need not translate into intended effects. Counter-policy gambits may implicate the international order and the distribution of power.

Conflict and bargaining over policies, orders, and the distribution of capabilities may lead actors to alter their aims. Efforts that begin as counter-order may serve, down the road, counter-hegemonic purposes.

These complications stem, in no small measure, from the way that hegemonic orders produce a convergence between the politics of primacy and the politics of order. In particular, once we view international order as an asset ecology—an environment structured by the nature, distribution, and quality of private, club, and public goods—it follows that goods substitution constitutes a critical part of the politics of hegemonic orders. Even parochial efforts to seek, or provide, goods may implicate hegemony.

This perspective helps us, we submit, to tease out how the order itself can both structure, and become a site of, political struggle.

### Conclusions

The logics that we have outlined may, indeed, be applicable to a wide array of international actors and organizations that are aspiring to play public goods substitution roles. Likewise, they are applicable to a number of actors seeking alternative access to public goods. For example, supply and demand factors may help explain both the growing pains and potential power of the BRICS and recast debates about the role of alternative lenders in the developing world. Ultimately, our project is an appeal to think more precisely about the components of hegemonic order and the more hidden mechanisms that may contribute to its transformation or, in certain cases, enduring resilience.

One of the more significant implications of our approach is that sequencing and logic of any future erosion of American order is not likely to feature overt challenges to Washington. Rather, individual states and regions are likely to selectively disengage with the hegemonic order and substitute public and club goods from alternative providers. This analysis also suggests less recognizable ways in which liberal order might

be undermined, namely by states invoking exit options to minimize Western political criticism or conditions.

Whatever the medium-term outcomes for US power and influence, closer examination of the power-political implications of behavior outside of traditional definitions of balancing is likely to expand our understanding of realpolitik. Disaggregating what we have called “power-political maneuvers” in terms of their logics, their purposes, and their effects can improve our understanding of the power politics of and within liberal order. In the context of present trends, doing so suggests that the American-led hegemonic order may be hollowed out long before, or even in the absence of, any direct challenge to the power-position of the United States.

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