Autumn 1988 Volume 42 Number 4 ISSN 0020 8183

IO

International Organization

David R. Cameron
Economic Stagnation

M. Stephen Weatherford
Macroeconomic Policymaking

Josef C. Brada
Eastern European Subsidies

Ikuo Kume
Japan: After the Oil Crisis

H. Richard Friman
Textile Trade Policy

Robert L. Rothstein
North–South Retrospective

Sponsored by the World Peace Foundation
Edited at Stanford University
Published quarterly by The MIT Press

INTERNATIONAL ORGANIZATION invites the submission of manuscripts on all aspects of world politics and international political economy. Manuscripts should be addressed to the Editor, ***International Organization*, Dept. of Political Science, Stanford University, Stanford, Calif., 94305.** Manuscripts should be double-spaced and submitted in triplicate, along with an abstract and author's note. Footnotes should be numbered consecutively, typed double-spaced, and placed at the end of the manuscript. Authors may expect a decision within two months of the Editor's receipt of a manuscript.

Statements of fact and opinion appearing in *International Organization* are made on the responsibility of the authors alone and do not imply the endorsement of the Board of Editors, The Board of Trustees of the World Peace Foundation, Stanford University, or The MIT Press.

International Organization (ISSN 0020-8183) is published quarterly, Winter, Spring, Summer, and Fall by The MIT Press, 55 Hayward Street, Cambridge, MA 02142 and London, England.

Subscriptions and business correspondence: All inquiries concerning subscriptions should be sent to the MIT Press Journals, 55 Hayward Street, Cambridge, MA 02142. Circulation Dept. (617) 253-2889. Yearly subscription rates are: individuals, $22.50; institutions, $47. Subscribers outside the United States and Canada should add $9 for surface mail and $17 for airmail. Postmaster: send address changes to *International Organization*, 55 Hayward Street, Cambridge, MA 02142. Second Class postage is paid at Boston, MA and at additional mailing offices.

Advertising: Please write to Advertising Manager, MIT Press Journals, 55 Hayward Street, Cambridge, MA 02142 USA. Telephone (617) 253-2866.

ISSN 0020-8183

International Organization
Volume 42, Number 4, Autumn 1988

Articles

Review Essay

Comment

Contributors

Josef C. Brada is Professor of Economics at Arizona State University, Tempe.

David R. Cameron is Associate Professor of Political Science at Yale University, New Haven, Connecticut.

H. Richard Friman is Assistant Professor of Political Science at Marquette University, Milwaukee.

Ikuo Kume is Associate Professor of Public Administration at Kobe University, Kobe, Japan.

Helen Milner is Assistant Professor at the Institute on Western Europe, Columbia University, New York City.

Robert L. Rothstein is Harvey Picker Professor of International Relations at Colgate University, Hamilton, New York.

Jack Snyder is Associate Professor of Political Science at Columbia University, New York City.

Susan Strange is Professor of International Relations at the London School of Economics and Political Science.

M. Stephen Weatherford is Associate Professor of Political Science at the University of California, Santa Barbara.

Abstracts

Distributional coalitions and other sources of economic stagnation: on Olson's *Rise and Decline of Nations*
by David R. Cameron

One of the most important recent contributions to the field of comparative political economy is Mancur Olson's *The Rise and Decline of Nations*. In that work, Olson deduces, from his logic of collective action, a series of implications regarding the impact of social organizations—in particular, "distributional coalitions"—on economic growth that can explain variations in national growth rates across a wide range of time and space. This article considers the assumptions upon which that logic is founded, the plausibility of the several implications drawn from that logic, and the application of the theory to account for differences among five nations in rates of economic growth in the post-World War II era. The analysis suggests that the characteristics of group activity emphasized by Olson represent, at best, only a small—perhaps negligible—part of the explanation of cross-national differences in growth. Instead, it suggests that an important source of the variation among nations in growth rates is the international political and economic system. In particular, the discussion of the German, Japanese, and British cases suggests that stagnation (or growth) is, to a considerable extent, the product of a nation's position in the world economy, the policy responses through which governments seek to perpetuate or improve that position, and the constraints upon (or opportunities for) growth-oriented domestic economic policy posed by that position.

The international economy as a constraint on U.S. macroeconomic policymaking
by M. Stephen Weatherford

International economic factors increasingly influence American trade and exchange policy, and interdependence also circumscribes the autonomous choice of domestic policies. But the growing concern of Organization for Economic Cooperation and Development (OECD) policymakers over the potential for macroeconomic policy coordination to enhance national as well as world welfare implies that international economic relations present opportunities rather than constraints under some circumstances. This suggests that understanding domestic economic policy choice within its international context involves not only how policy choices are made within the bounds of international constraints, but also when countries might cooperate to modify the constraints themselves. This research looks to four important historical cases for information on these questions: the first three are the series of cumulating crises in the international monetary system during the 1960s and early 1970s, the fourth is the energy supply shock of 1973 and the recession that followed. The article describes the process of policy selection in each of these cases, contrasting domestic versus international premises for policy choice. The economics literature has emphasized the magnitude of domestic welfare gains available from coordinated national economic policies. Although the cases considered here do not contradict the importance of payoffs, they underline the corresponding role of political, economic, and strategic uncertainty in conditioning elites' policy choices.

Interpreting the Soviet subsidization of Eastern Europe
by Josef C. Brada

In trade among the members of the Council for Mutual Economic Assistance (CMEA), prices of raw materials are lower and those of manufactured goods higher than comparable world prices. Because the Soviet Union is a net exporter of raw materials to, and net importer of manufactures from, the other CMEA countries, it benefits less from CMEA trade than it would from trading with the rest of the world, and the other CMEA members benefit more. This redistribution of the gains from trade is generally seen as a form of subsidization. One explanation of these subsidies is that they represent Soviet payments for political and military benefits provided by East European regimes; another is that the subsidies compensate Eastern Europe for the economic burden imposed by central planning and extensive economic ties to the Soviet Union. I argue that neither of these explanations is consistent with the type of economic and political relations that one would expect of the Soviet and East European regimes. In their place I offer an alternative explanation based on the Heckscher-Ohlin model of comparative advantage. The distribution of CMEA subsidies is shown to reflect the distribution of gains from trade that would arise among any group of economies forming a preferential trading scheme. I also argue that the willingness of members to belong to CMEA, even at the expense of paying subsidies, is that CMEA can be viewed as a club that provides benefits to members while imposing costs that may to some extent be unequal and unpredictable.

Changing relations among the government, labor, and business in Japan after the oil crisis
by Ikuo Kume

Many scholars argue that labor is excluded from Japan's political system. However, since the 1970s, labor has become considerably influential in the policymaking process in Japan. The oil crisis of 1973 and the *Shuntou* wage bargaining of 1975 have made labor, especially private-sector unions, modest in their wage demands, but at the same time these events have made labor participate actively in the policymaking process in order to maintain employment and seek some benefits from the government. This article demonstrates that Japan's increasing export-dependence and tradeoffs between wage increases on the one hand, and inflation and unemployment on the other in the 1970s, have driven labor to this new, more active role in policy-

making, while the necessity for the governing Liberal Democratic party to seek a new constituency has enabled labor to achieve some success in this new role. This implies that Japan's political system has changed its nature since the 1970s; its political process has become more pluralistic with labor's participation within the existing political system.

Rocks, hard places, and the new protectionism: textile trade policy choices in the United States and Japan

by H. Richard Friman

Why have advanced industrial countries responded with different types of protectionist policy to postwar international competition and the resulting societal pressure for state action? In contrast to the across-the-board tariff wars of the 1930s, postwar protectionism is a patchwork of tariffs, unilateral and nonunilateral quotas, administrative restrictions, state subsidies, and production cartels. Arguments based on international economic structure, international regimes, statist approaches, and domestic structure all appear to have difficulty in accounting for divergent trade policy choices. This article introduces a more nuanced identification and integration of the international and domestic sources of the new protectionism. An examination of textile trade policy in the United States and Japan reveals that when state policymakers face conflicting international constraints and domestic pressure over the use of overt types of protectionist policy, the greater the domestic pressure, the more overt the policy response.